Name: _____ Copy No._____

BOOTHBAY MULTI-STRATEGY FUND, LP

CONFIDENTIAL PRIVATE OFFERING MEMORANDUM

General Partner:

Boothbay Hybrid GP, LLC

Investment Manager:

Boothbay Fund Management, LLC

December 2012

Confidential Private Offering Memorandum

BOOTHBAY MULTI-STRATEGY FUND, LP

This Confidential Private Offering Memorandum (this "**Memorandum**") has been prepared solely for the information of the person to whom it has been delivered on behalf of Boothbay Multi-Strategy Fund, LP (the "**Partnership**") and may not be reproduced or used for any other purpose. Each person accepting this Memorandum agrees to return it to Boothbay Hybrid GP, LLC (the "**General Partner**") promptly upon request. This Memorandum does not constitute an offer or solicitation in any jurisdiction in which such an offer or solicitation is not authorized or permitted.

The Partnership will not be registered as an investment company under the Investment Company Act of 1940, as amended. Neither the General Partner nor Boothbay Fund Management, LLC (the "**Investment Manager**") is registered as an investment adviser under the Investment Advisers Act of 1940, as amended, or under the laws of any other jurisdiction, although either entity may do so in the future.

In making an investment decision, investors must rely upon their own examination of the Partnership and the terms of this offering, including the merits and risks involved. Neither the Securities and Exchange Commission ("**SEC**") nor any other state or federal governmental agency or any securities exchange has passed upon the accuracy or adequacy of this Memorandum or the merits of an investment in the limited partnership interests offered hereby. Any representation to the contrary is a criminal offense.

The General Partner will make available to any prospective limited partner the opportunity to ask questions of and to receive answers from the General Partner and/or its agents concerning the Partnership and the terms and conditions of this offering and to obtain any additional relevant information to the extent the General Partner possesses such information or can obtain it without unreasonable effort or expense.

The contents of this Memorandum should not be considered to be legal or tax advice and each prospective limited partner should consult with, and rely solely upon, his or her own counsel and advisers as to all matters concerning an investment in the Partnership. Prospective limited partners are urged to consult with, and rely solely upon, their legal and tax advisers before investing in limited partnership interests.

NOTICES

TO ALL INVESTORS:

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATES AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THE INTERESTS ARE SUITABLE ONLY FOR SOPHISTICATED INVESTORS FOR WHICH AN INVESTMENT IN THE PARTNERSHIP DOES NOT CONSTITUTE A COMPLETE INVESTMENT PROGRAM AND THAT FULLY UNDERSTAND AND ARE WILLING TO ASSUME THE RISKS INVOLVED IN THE PARTNERSHIP'S SPECIALIZED INVESTMENT PROGRAM. INVESTMENT IN THE INTERESTS ENTAILS SIGNIFICANT INVESTMENT AND OTHER RISKS, INCLUDING POSSIBLE ADVERSE TAX EFFECTS. PLEASE REFER TO "CERTAIN RISK FACTORS," "OTHER ACTIVITIES OF THE GENERAL PARTNER, INVESTMENT MANAGER; CONFLICTS OF INTEREST" AND "INCOME TAX ASPECTS" SET FORTH IN THIS MEMORANDUM. INVESTORS SHOULD PURCHASE INTERESTS ONLY IF THEY HAVE THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THE RISKS AND LACK OF LIQUIDITY THAT ARE CHARACTERISTIC OF INVESTMENTS SUCH AS THE INTERESTS. THE INTERESTS ARE SUBJECT TO INVESTMENT RISKS, INCLUDING THE POSSIBLE LOSS OF THE AMOUNT INVESTED.

THESE INTERESTS ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM AND THE LIMITED PARTNERSHIP AGREEMENT OF THE PARTNERSHIP. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR A SUBSTANTIAL PERIOD OF TIME.

AN INVESTOR (AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF THE INVESTOR) MAY DISCLOSE, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF AN INVESTMENT IN THE PARTNERSHIP.

NEITHER THE INVESTMENT MANAGER NOR THE GENERAL PARTNER PLANS TO REGISTER AS A COMMODITY POOL OPERATOR ("CPO") UNDER THE COMMODITY EXCHANGE ACT ("CEA") AND THE RULES OF THE COMMODITY FUTURES TRADING COMMISSION ("CFTC") PROMULGATED THEREUNDER BY

VIRTUE OF THE DE MINIMIS TRADING EXEMPTION PROVIDED UNDER CFTC RULE 4.13(a)(3). THE INVESTMENT MANAGER AND THE GENERAL PARTNER QUALIFY FOR THE EXEMPTION UNDER CFTC RULE 4.13(a)(3) WITH RESPECT TO THE PARTNERSHIP ON THE BASIS THAT, AMONG OTHER THINGS (I) EACH LIMITED PARTNER IS AN "ACCREDITED INVESTOR" AS DEFINED UNDER SEC RULES, OR TRUSTS FORMED BY ACCREDITED INVESTORS FOR THE BENEFIT OF THEIR FAMILY MEMBERS; (II) INTERESTS IN THE PARTNERSHIP ARE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND ARE OFFERED AND SOLD WITHOUT MARKETING TO THE PUBLIC IN THE UNITED STATES, AND (III) AT ALL TIMES EITHER (A) THE AGGREGATE INITIAL MARGIN AND PREMIUMS REQUIRED TO ESTABLISH COMMODITY INTEREST POSITIONS WILL NOT EXCEED 5% OF THE LIQUIDATION VALUE OF THE PARTNERSHIP'S PORTFOLIO; OR (B) THE AGGREGATE NET NOTIONAL VALUE OF COMMODITY INTEREST POSITIONS WILL NOT EXCEED 100% OF THE LIQUIDATION VALUE OF THE PARTNERSHIP'S PORTFOLIO. AS A RESULT, UNLIKE A REGISTERED CPO, THE INVESTMENT MANAGER AND THE GENERAL PARTNER ARE NOT SUBJECT TO MANY OF THE REQUIREMENTS OF THE CEA AND THE RULES OF THE CFTC PROMULGATED THEREUNDER, INCLUDING THE REQUIREMENT TO DELIVER A DISCLOSURE DOCUMENT CONTAINING INFORMATION REQUIRED BY CFTC RULES AND THE REQUIREMENT TO DELIVER A CERTIFIED ANNUAL REPORT TO LIMITED PARTNERS.

THE PARTNERSHIP MAY TRADE FOREIGN FUTURES OR OPTIONS CONTRACTS. TRANSACTIONS ON MARKETS LOCATED OUTSIDE THE UNITED STATES, INCLUDING MARKETS FORMALLY LINKED TO A UNITED STATES MARKET, MAY BE SUBJECT TO REGULATIONS WHICH OFFER DIFFERENT OR DIMINISHED PROTECTION TO THE PARTNERSHIP AND ITS LIMITED PARTNERS. FURTHER, UNITED STATES REGULATORY AUTHORITIES MAY BE UNABLE TO COMPEL THE ENFORCEMENT OF THE RULES OF REGULATORY AUTHORITIES OR MARKETS IN NON-UNITED STATES JURISDICTIONS WHERE TRANSACTIONS FOR THE PARTNERSHIP MAY BE EFFECTED.

PROSPECTIVE INVESTORS SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS AND TAX CONSEQUENCES WITHIN THE COUNTRIES OF THEIR CITIZENSHIP, RESIDENCE AND DOMICILE FOR THE ACQUISITION, HOLDING OR DISPOSAL OF THE INTERESTS OFFERED HEREBY AND ANY FOREIGN EXCHANGE OR OTHER RESTRICTIONS THAT MAY BE RELEVANT TO THEM.

FOR FLORIDA RESIDENTS ONLY:

THE SALE OF THESE LIMITED PARTNERSHIP INTERESTS SHALL BE VOIDABLE BY THE PURCHASER WITHIN 3 DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY SUCH PURCHASER TO THE ISSUER OR WITHIN 3 DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO SUCH PURCHASER, WHICHEVER OCCURS LATER AS REQUIRED BY SECTION 517.061(11)(a)(5), FLORIDA STATUTES.

FOR NEW HAMPSHIRE RESIDENTS ONLY:

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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SUMMARY OF TERMS

The following summary is qualified in its entirety by the more detailed information set forth elsewhere in this Confidential Private Offering Memorandum (this "**Memorandum**") and the Limited Partnership Agreement (the "**Limited Partnership Agreement**") of Boothbay Multi-Strategy Fund, LP (the "**Partnership**"), which should be reviewed carefully by each prospective investor before investing.

PARTNERSHIP:	The Partnership was organized as a Delaware limited partnership in December 2012.
INVESTMENT PROGRAM:	The Partnership's investment objective is to achieve above-average capital appreciation by opportunistically trading and investing in a wide variety of securities, instruments, and other investment opportunities and engaging in a broad array of trading and investment strategies. The Investment Manager may also invest the Partnership's capital directly in one or more public or private investments as it identifies attractive special situation investment opportunities. (See "*Investment Program*.") There can be no assurance that the Partnership will achieve its objective or that it will not incur losses.
GENERAL PARTNER; INVESTMENT MANAGER:	Boothbay Hybrid GP, LLC, a Delaware limited liability company, is the General Partner of the Partnership (the "**General Partner**"). Boothbay Fund Management, LLC, a Delaware limited liability company, is the Investment Manager of the Partnership (the "**Investment Manager**"). The principal of both the General Partner and the Investment Manager is Ari Glass. (See "*General Partner; Investment Manager*" and "*Other Activities of the General Partner, Investment Manager; Conflicts of Interest*.") The Investment Manager is primarily responsible for making all portfolio management and investment decisions on behalf of the Partnership and for selecting Portfolio Managers for the Partnership, while the General Partner will manage the day-to-day affairs of the Partnership and perform certain administrative functions for the Partnership. The principal office of the General Partner and the Investment Manager is located at 810 7th Avenue, 4th Floor, New York, New York 10019.
TERM:	Perpetual, unless terminated in accordance with the Limited Partnership Agreement. The General Partner, in its discretion, may elect to terminate the Partnership at any time for any reason.
LIMITED PARTNERS:	Limited partnership interests in the Partnership ("**Interests**") will be offered primarily to U.S. taxable investors who qualify as "accredited investors" (within the meaning of Rule 501(a) of the Securities Act of 1933, as amended) and "qualified purchasers" (within the meaning of Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "**1940 Act**"). The General Partner, in its discretion, may also admit certain non-U.S. investors and U.S. tax-exempt investors as Limited

	Partners who in all cases qualify as "accredited investors" and "qualified purchasers." The General Partner may, in its discretion, decline to admit any investor for any reason. An investor admitted to the Partnership shall become a "Limited Partner" (and together with the General Partner, a "**Partner**").
	The Partnership may establish other classes and/or series of Interests with rights, terms and provisions which differ from those set forth herein.
INITIAL CAPITAL CONTRIBUTIONS:	$1,000,000 minimum initial capital contribution, subject to the discretion of the General Partner to accept lesser amounts.
ADDITIONAL CAPITAL CONTRIBUTIONS; ADMISSIONS:	The General Partner may, in its discretion, permit a Limited Partner to make an additional capital contribution to the Partnership as of the first day of any calendar month in an amount of at least $100,000, subject to the discretion of the General Partner to accept lesser amounts or to accept contributions at other times; and new Partners, including general partners, may be admitted to the Partnership at such times at the discretion of the General Partner.
CAPITAL ACCOUNTS:	Upon each Partner's admission to the Partnership, a capital account ("**Capital Account**") will be established on the books of the Partnership for such Partner in the amount of such Partner's initial capital contribution. A separate Capital Account will be established for each capital contribution made by a Partner to the Partnership for purposes of calculating the Incentive Allocation (as defined below). The term "Capital Account" as used throughout this Memorandum shall be deemed to refer to all of a particular Partner's capital accounts in the aggregate. (See "*Outline of Limited Partnership Agreement*.")
ALLOCATION OF GAINS AND LOSSES:	At the close of each accounting period of the Partnership, any net capital appreciation or depreciation (determined after all Partnership expenses and including current income and realized and unrealized appreciation and depreciation) for the accounting period then ended will be tentatively allocated to all Partners (including the General Partner) in proportion to their respective Capital Accounts at the beginning of such accounting period, subject to reallocation as described below.
INCENTIVE ALLOCATION AND LOSS RECOVERY ACCOUNT:	At the end of each fiscal year of the Partnership or upon a Limited Partner's withdrawal of all or any portion of his Capital Account, fifteen percent (15%) of the aggregate net capital appreciation (determined after all Partnership expenses are taken into account) temporarily allocated to the Capital Account of each Limited Partner (or the withdrawing Limited Partner with respect to the portion withdrawn) for such fiscal year (or elapsed portion thereof) will be reallocated to the Capital Account of the General Partner (the "**Incentive Allocation**").
	The General Partner shall have the right to fully or partially waive receipt of any Incentive Allocation with respect to one or more Limited Partners

without notice to, or the consent of, the other Limited Partners.

The Partnership will maintain a memorandum loss recovery account for each Capital Account of each Limited Partner (a "**Loss Recovery Account**") so that in general, for purposes of calculating the Incentive Allocation, previously unrecouped losses in prior years will be deducted from any gains in succeeding years. The Loss Recovery Account corresponding to a Capital Account will be charged with any net capital depreciation allocated to such Capital Account. The General Partner will be allocated, as indicated above, an Incentive Allocation with respect to a Capital Account only after such Capital Account has recovered any allocation of net capital depreciation. Amounts in a Loss Recovery Account will be proportionately reduced for withdrawals of capital from the corresponding Capital Account.

MANAGEMENT FEE; EXPENSES:

The Investment Manager will charge the Partnership an annual management fee (the "**Management Fee**") of one percent (1.0%) of the net asset value of each Limited Partner's Capital Account, 0.25% payable quarterly in advance. Capital contributions made as of times other than the first day of a calendar quarter will be assessed a *pro rata* Management Fee at the time of contribution. Once paid, the Management Fee is non-refundable. The Investment Manager will have the right to fully or partially waive receipt of any Management Fees with respect to one or more Limited Partners without notice to, or the consent of, the other Limited Partners. (See "*Allocation of Gains and Losses; New Issues*" and "*Management Fee; Fees and Expenses*.")

In addition to the Management Fee, the Partnership will bear its own expenses, including expenses directly or indirectly related to the Partnership's operations and investment transactions and positions for the Partnership's account, interest expense, brokerage commissions, custodial fees, costs of borrowing securities to be sold short, research and due diligence fees and expenses (including any travel to perform research or initial and ongoing due diligence on Portfolio Managers, online news and quotation services, computer hardware and software used for research, Bloomberg service, etc.), seat license fees, withholding and transfer taxes, blue sky fees and other initial and ongoing offering costs and expenses, initial and ongoing legal, audit, administration and accounting fees and expenses, investor reporting costs, risk management costs (including risk management systems and technology), data storage and connectivity charges, insurance expenses, consulting fees and expenses, professional fees and expenses, and other similar fees and expenses. To the extent any Partnership expenses are advanced by the General Partner or the Investment Manager on behalf of the Partnership, such expenses will be promptly reimbursed.

The General Partner and the Investment Manager will generally be responsible for their own overhead expenses including rent and utilities and the compensation of their employees; provided, that the Partnership

will be responsible for expenses incurred in connection with risk management and due diligence of existing and prospective investments and Portfolio Managers by the Investment Manager's employees, including, without limitation, all or a portion of the compensation of the employees of the Investment Manager who perform such risk management and due diligence for the benefit of the Partnership (collectively, "**Diligence Expenses**"). The Investment Manager will determine, in its sole discretion, the level of Diligence Expenses.

The Partnership will also bear its pro rata share of the performance fees and other fees paid to Portfolio Managers and other persons who render services to the Partnership or the Investment Manager. A substantial portion of the compensation to Portfolio Managers will be in the form of fees and/or allocations based on the performance of their respective portfolios.

WITHDRAWALS; GATE; IMPAIRED WITHDRAWALS:

Subject to the conditions described herein, a Limited Partner may make a withdrawal of capital from his Capital Account as of the last day of any calendar quarter (a "**Withdrawal Date**"); provided that if a Limited Partner withdraws any capital from a Capital Account prior to the day immediately preceding the one-year anniversary of the contribution of such capital to the Partnership, such withdrawal will be subject to an early withdrawal charge for the benefit of the Partnership equal to 4% of the net asset value of the capital being withdrawn (the "**Early Withdrawal Charge**"). Withdrawals will be deemed made on a first-in, first-out basis for this purpose.

Investor Gate

Notwithstanding the foregoing, a Limited Partner may withdraw only up to 50% of the value of his Capital Account as of any Withdrawal Date (such limitation, the "**Investor Gate**" and the amount permitted to be withdrawn pursuant to the Investor Gate, the "**Maximum Amount**"), unless such Investor Gate is waived by the General Partner, in its discretion. If a Limited Partner submits a request to withdraw more than the Maximum Amount as of a single Withdrawal Date (such date, the "**Gated Withdrawal Date**"), capital will be withdrawn from the Partnership without any further action required of such Limited Partner (including any gains or losses thereon) as follows:

(a) First, as of the Gated Withdrawal Date, the Limited Partner will be deemed to have withdrawn capital from his Capital Account equal to the Maximum Amount; and

(b) Second, as of the Withdrawal Date immediately following the Gated Withdrawal Date, the Limited Partner will be deemed to have withdrawn capital from his Capital Account equal to the amount requested to be withdrawn on the Gated Withdrawal Date but not satisfied as a result

of the Investor Gate.

Capital not withdrawn as a result of the Investor Gate will remain invested in the Partnership and will increase or decrease based upon the performance of the Partnership until the effective date of the withdrawal of such capital.

Impaired Withdrawals

If the General Partner determines that the liquidity in the Partnership's investment portfolio is impaired as of a Withdrawal Date (an "**Impaired Withdrawal Date**"), the General Partner may require each Limited Partner making a withdrawal of ninety percent (90%) or more of his Capital Accounts as of such date (a "**Designated Limited Partner**") to retain his pro rata interest in any investments that the Investment Manager believes cannot be liquidated at such time without undue cost to the non-withdrawing Limited Partners ("**Designated Investments**"). Designated Limited Partners will retain such interests until the Investment Manager liquidates the applicable Designated Investments in the ordinary course of business (an "**Impaired Withdrawal Period**"), or such earlier date as of which the General Partner, in its discretion, elects to terminate the Impaired Withdrawal Period. A Limited Partner will be not required to maintain an interest in Designated Investments that have a value as of such Impaired Withdrawal Date of more than ten percent (10%) of the total net asset value of such Limited Partner's Capital Accounts as of such date.

The Incentive Allocation, if any, due to the General Partner with respect to a Designated Limited Partner on an Impaired Withdrawal Date (but not on any other date or with respect to any other Limited Partner) shall be calculated as if the Designated Investments were deemed to have no value as of such date.

During an Impaired Withdrawal Period, a Designated Limited Partner's interest in any Designated Investments will increase or decrease based upon the performance of such Designated Investments. A Designated Limited Partner will receive distributions from the Partnership promptly following the liquidation of each applicable Designated Investment, net of any expenses. Management Fees will accrue on the Designated Investments during an Impaired Withdrawal Period, but will not be payable with respect to a Designated Limited Partner until he has received distributions from Designated Investments that exceed any applicable unrecovered Loss Recovery Account balance that existed as of the Illiquid Redemption Date. An Incentive Allocation shall also be due with respect to all such distributions to the extent they exceed any applicable unrecovered Loss Recovery Account balance that existed as of the Illiquid Redemption Date.

The General Partner and the Investment Manager shall not withdraw any

capital from the Partnership during an Impaired Withdrawal Period other than amounts necessary to pay taxes and employee and consultant compensation amounts.

Withdrawal Notice

A Limited Partner must provide irrevocable written notice to the General Partner and the Administrator of his desire to make a withdrawal as of a Withdrawal Date at least forty-five (45) days prior to such Withdrawal Date. Such notice period may be waived in whole or in part by the General Partner in its sole discretion with respect to one or more Limited Partners. After receiving a withdrawal notice from a Limited Partner, the Partnership may, upon at least 24 hours' notice to the Limited Partner (via email or otherwise), effect such withdrawal and pay all or a portion of the withdrawal proceeds at any time prior to the anticipated Withdrawal Date.

In addition, the General Partner, in its sole discretion, may permit a Limited Partner to make a withdrawal from his Capital Account on a date that is not a Withdrawal Date without notice to, or the consent of, the other Limited Partners.

Subject to the Investor Gate and the Impaired Withdrawal Date procedures described above, a Limited Partner withdrawing amounts from a Capital Account will generally be paid the amount withdrawn, net of any Incentive Allocation, Early Withdrawal Charges and accrued expenses through the Withdrawal Date, within thirty (30) days after the applicable Withdrawal Date, provided, that a Limited Partner withdrawing ninety percent (90%) or more of his Capital Accounts will be subject to a holdback of up to ten percent (10%) of the amount requested to be withdrawn as of such Withdrawal Date (regardless of whether such requested withdrawal amount is reduced due to the application of the Investor Gate), to be settled without interest no later than thirty (30) days after completion of the audit of the Partnership's books for the year in which such withdrawal took place.

The right of any Limited Partner to receive amounts withdrawn is subject to a holdback for the provision by the General Partner for all Partnership liabilities and reserves for contingencies whether or not required by U.S. generally accepted accounting principles ("**GAAP**"). (See "*Outline of Limited Partnership Agreement*.") The General Partner, in its sole discretion, may distribute securities or other property of the Partnership selected by the General Partner in its discretion, in lieu of, or in addition to, cash in satisfaction of withdrawal requests. (See "*Outline of Limited Partnership Agreement*" and "*Certain Risk Factors—In-Kind Distributions*.")

REQUIRED WITHDRAWALS:	The General Partner will have the right to require any Limited Partner to fully or partially withdraw from the Partnership at any time and for any reason or no reason upon at least two (2) days' prior written notice (which may be given to a Limited Partner by e-mail or otherwise). A Limited Partner withdrawing from the Partnership in such event will be paid (in cash and/or in the General Partner's sole discretion, in kind) an amount equal to at least ninety percent (90%) of the amount that he is being required to withdraw, net of any Incentive Allocation and any accrued expenses through the withdrawal date, within thirty (30) days after the withdrawal date, with the balance settled without interest within thirty (30) days after completion of the audit of the Partnership's books for the year in which such required withdrawal took place. A Limited Partner who is required to withdraw all or any capital from his Capital Account will not be subject to any otherwise applicable Early Withdrawal Charges with respect to such withdrawal. The right of any Limited Partner to receive amounts with respect to a required withdrawal is subject to a holdback for the provision by the General Partner for all Partnership liabilities and reserves for contingencies (whether or not required by GAAP). (See "*Outline of Limited Partnership Agreement - Required Withdrawals*.")
FISCAL YEAR:	The Partnership's fiscal year ends on each December 31st.
RISK FACTORS:	The investment program of the Partnership involves significant risks. (See "*Certain Risk Factors*.")
CONFLICTS OF INTEREST:	The General Partner, the Investment Manager and/or their respective principal may manage and render services to other private investment entities and accounts, some of which have investment programs that are substantially similar or identical to the Partnership's investment program. As a result, the General Partner, the Investment Manager, as well as their managers, members and employees, may allocate their time, as well as trading and investment opportunities, between the Partnership and such other entities or accounts. The General Partner, the Investment Manager and their managers, members and employees are required to devote only such amount of time to the Partnership as they, in their discretion, deem necessary, and may also devote a substantial portion of their time and attention to other entities, accounts, investments and activities. When the Investment Manager determines that a particular investment opportunity would be desirable for the Partnership and one or more of the other entities or accounts managed by the Investment Manager or its affiliates, it will seek to allocate such opportunity among the Partnership and such other entities or accounts in a manner that it deems fair and equitable under the circumstances existing at such time. (See "*Other Activities of the General Partner, Investment Manager; Conflicts of Interest*.")

INVESTMENT POLICIES:	The Partnership is not and will not be registered as an investment company and therefore is not required to adhere to certain investment policies under the Investment Company Act of 1940, as amended. (See "*Partnership Policies; Comparison to Registered Investment Companies*.")
BROKERAGE COMMISSIONS:	Portfolio transactions for the Partnership's investments are allocated by the Investment Manager to brokers on the basis of "best execution" and in consideration of such broker's provision or payment of the cost of research and other services which are of benefit to the Partnership and/or other funds or accounts managed by the General Partner, the Investment Manager and their respective affiliates. (See "*Brokerage Commissions; Turnover*.")
LIMITED PARTNER REPORTS:	Limited Partners receive from the Partnership: (i) periodic unaudited reports, no less frequently than monthly, regarding the Partnership's performance; (ii) annual audited financial statements of the Partnership; and (iii) annual tax information for the preparation of their respective U.S. federal income tax returns. (See "*Outline of Limited Partnership Agreement*.")
SUBSCRIPTION FOR AN INTEREST:	Persons interested in subscribing for an Interest will be furnished, and be required to complete and return to the General Partner, a Subscription Agreement and certain other documents. (See "*Subscription for an Interest*.")
PRIME BROKER:	UBS Securities LLC 623 5th Avenue, 31st Floor New York, New York 10022
AUDITOR:	Rothstein, Kass & Company, P.C. 4 Becker Farm Road Roseland, New Jersey 07068
ADMINISTRATOR:	Opus Fund Services 1812 High Grove Lane Suite 101 Naperville, Illinois 60540 USA
LEGAL COUNSEL:	Kleinberg, Kaplan, Wolff & Cohen, P.C., 551 Fifth Avenue, 18th Floor, New York, New York 10176, serves as legal counsel to the Partnership, the General Partner and the Investment Manager, and does not represent the Limited Partners.

USE OF PROCEEDS

Substantially all of the proceeds from the sale of the limited partnership interests (the "**Interests**") will be available for the investment program of Boothbay Multi-Strategy Fund, LP (the "**Partnership**"); provided that the Partnership will reimburse Boothbay Hybrid GP, LLC (the "**General Partner**") and/or Boothbay Fund Management, LLC (the "**Investment Manager**") for the Partnership's organizational expenses (including the cost of preparing this Confidential Private Offering Memorandum (this "**Memorandum**") and the Partnership's Limited Partnership Agreement (the "**Limited Partnership Agreement**") and Subscription Agreement (the "**Subscription Agreement**") and offering expenses.

The Partnership may at any time establish other classes and/or series of Interests with rights, terms, and provisions which differ from those set forth herein. Such classes and/or series may have, among other things, different Management Fees, Performance Allocations (each as defined below) and/or withdrawal terms than as described herein.

INVESTMENT PROGRAM

The Partnership's investment objective is to achieve above-average capital appreciation by opportunistically trading and investing in a wide variety of securities, instruments, and other investment opportunities and engaging in a broad array of trading and investment strategies. The Investment Manager may also invest the Partnership's capital directly in one or more public or private investments as it identifies attractive special situation investment opportunities.

The Partnership's capital is allocated among a number of third-party managers through collective investment vehicles and managed accounts (collectively referred to throughout this Memorandum as "**Portfolio Managers**") and investments are made using the capital of the Partnership itself. For the most part, rather than making primary investment and trading decisions itself, the Investment Manager grants trading authority over portions of the capital of the Partnership to Portfolio Managers, and monitors and evaluates their performance, and reallocates capital as it deems appropriate. The Investment Manager does not establish fixed guidelines regarding diversification of investments to be followed by the Partnership; the Partnership is authorized to invest in all types of securities and other financial instruments of United States and non-U.S. issuers, and to sell securities short.

Investment Strategies

The Partnership invests opportunistically and the universe of eligible investments is not materially limited by any firm policies; however, the investment strategies that the Partnership employs may be expected to include, among others, some or all of the following strategies. The Partnership may concentrate in a select few strategies while not employing others and may employ additional investment strategies or suspend any such strategies, as determined by the Investment Manager in its discretion, at any time without notice.

- Relative Value and Fundamental Equity Strategies: Portfolio Managers employing a relative value strategy perform detailed fundamental research on companies, usually within a particular industry group (e.g., financial services) or subgroup (e.g., securities brokers). These Portfolio Managers make use of research, company visits, industry conferences, and their

own expert knowledge in making investment decisions. Fundamental change at these companies drives changes in investor perception, which impacts the valuation of their securities. The Portfolio Managers attempt to spot changes in fundamentals, identify where comparable companies are mispriced in relation to each other and buy the undervalued companies and short sell the overvalued ones, hoping to capture the excess return as a perceived mispricing narrows, while minimizing overall net market risk. A Portfolio Manager may also hedge its investment with a contra-investment in a correlated index or sector rather than a comparable company.

- Statistical Arbitrage and Quantitative Strategies: U.S. and non-U.S. statistical arbitrage and quantitative strategies generally are quantitatively driven and are employed across the global equity, interest rate, foreign exchange and currency markets. The strategies attempt to identify over/under-valued securities. Generally, investments are in more liquid securities and often focus on geographical regions, industry sectors or securities with similar trading characteristics.

To help identify securities and outline market and non-market risks, Portfolio Managers may build proprietary models that consider historical, as well as forward-looking factors. Qualitative analysis of current business information may also be employed to determine value, potential return, and relevant risk factors. Models and tools are monitored and updated as paradigm shifts occur in the markets. The various statistical arbitrage strategies tend to have had low correlation with overall market performance. In addition, Portfolio Managers may seek to mitigate market risk through diversification, hedging and by limiting exposure to any one asset class, industry or company. Non-U.S. investments may be focused on developed areas of Asia and Europe to maintain liquidity and consistent information reporting.

Statistical arbitrage strategies are dependent on technology, and the Investment Manager expects to invest significantly in and develop a state-of-the-art infrastructure to support this trading activity. This infrastructure is intended to allow the Partnership to trade electronically on a number of exchanges on a global basis. The ongoing migration of the world's trading markets to electronic exchanges continues to create opportunities for Portfolio Managers utilizing statistical trading strategies. The turnover of these strategies can be high and marked by very short holding periods and, as a result, profitability is often highly dependent on minimizing transaction costs. In recent regulatory pronouncements the Securities and Exchange Commission has indicated that it is studying the factors affecting, and affected by "High Frequency Trading" with a view to determining whether additional, or different, regulatory measures are appropriate. Some of the Portfolio Managers' statistical arbitrage strategies may be designated as "High Frequency Trading."

- Fixed-Income Strategies: While the Investment Manager does not intend to initially invest the Partnership's capital in these types of strategies, it will possibly do so in the future. Portfolio Managers may employ a number of fixed-income strategies, including the following:

    - *Fixed-Income Arbitrage*: Fixed-income arbitrage is a strategy that seeks to profit from inefficient pricing of related fixed-income securities. Leverage may be employed to maximize the return from the specific strategy. The securities to which a Portfolio Manager will apply this strategy typically

trade at a perceived discount or premium to instruments that are otherwise similar in maturity, yield and creditworthiness. Fixed-income arbitrage trading is performed using sovereign debt, agency debt, corporate debt, asset backed securities and related futures contracts, as well as over-the-counter swaps, credit default swaps and other derivatives on these instruments. The strategy typically involves buying these fixed-income instruments and using various hedges (including derivatives) to reduce interest rate risk, market risk, credit risk and call and redemption risk along with other risks related to fixed-income instruments. The evaluation and trading process can be complicated, highly technical, and heavily dependent on computer processing power. A Portfolio Manager utilizing a fixed-income arbitrage strategy may attempt to capture changes in the shape of the yield curve of a given country's debt (the difference in yield between different maturities of an issuer) or the relationship spreads between the fixed-income securities of two different countries (e.g., yield curves on five-year German bonds versus five-year U.S. Treasury notes).

- *Swap Strategies*: Strategies that focus in whole or in part on swap transactions involve the use of bilateral contracts under a master swap or netting agreement. Swap agreements allow parties to assume exposure to risks in ways that generally are not available in existing securities. Often-used swap instruments include interest rate swaps and credit default swaps. In the classic interest rate swap, two counterparties will enter into an agreement to exchange, or "swap," two or more interest rate payment obligations, generally with one side holding a fixed rate obligation and the other holding a floating rate obligation.

  Credit default swaps involve the buying or selling of "protection" with respect to a referenced debt obligation or basket of obligations. The party that sells the protection" will incur a payment obligation to the counterparty if there is a default under the referenced obligation. The party that “buys the protection” has a periodic payment obligation unless and until such a default occurs or the swap terminates or expires. Credit default swaps can be entered into as a distinct asset class (i.e., as a means of synthetically "going long" or "going short" the referenced debt obligation or basket of obligations), or as a hedge to a position in the referenced debt obligation.

- *Credit Strategies*: The Partnership may be involved in various strategies that involve being long and short different corporate and asset backed securities and derivatives, including loan participations and allocations (i.e., interests in a syndicate and the borrower) in the secondary market. The credits involved will range from high grade to high yield and distressed debt.

- *Mortgage-backed Securities ("MBS")*: The Partnership may invest in MBS and associated derivatives. MBS are securities that represent an interest in, or are secured by, mortgage loans secured by residential or commercial properties. MBS have been issued in public and private transactions by a variety of public and private issuers using a variety of structures. MBS may pay fixed or floating rates of interest. MBS are generally structured as pass-through certificates, representing an undivided ownership interest in a pool of mortgage loans, or as debt obligations secured by mortgage loans. MBS issued by a given issuer typically are divided into multiple classes. Certain classes are subordinate to the senior classes with respect to both the timing of payment of principal and/or interest and the allocation of losses on the underlying mortgage loans. Other characteristics of MBS will vary with the characteristics of the underlying mortgage loans.

- *Foreign Exchange Strategies*: The Partnership may invest in foreign exchange contracts, futures and associated derivatives. Portfolio Managers utilizing foreign exchange strategies may attempt to capture relative valuation of different currencies, or benefit from the price movement of various currencies.

- Merger Arbitrage and Event-Driven Strategies: Merger arbitrage and event-driven investment strategies (also called risk arbitrage) are generally based on announcements of mergers, acquisitions, tender offers, liquidations, spin-offs and other corporate reorganizations and restructurings. A Portfolio Manager employing such a strategy will gain exposure to the stock of the company or companies involved in the anticipated reorganization or restructuring, depending upon the transactions and details, such as by purchasing the stock of a target company and selling short the stock of an acquiring company, or will employ derivative instruments to achieve a similar economic result. The value of such an investment is driven by the ability to correctly estimate the spread between the security's then-current price and its value at the transaction's completion, and to gauge the likelihood and timing of completion of the transaction. Success requires in-depth knowledge of relevant corporate processes, as well as legal and financial requirements. In some cases, this strategy may be combined with an activist strategy.

- Commodities Trading Strategies: In these strategies, Portfolio Managers actively trade relative value and cross commodity spreads in energy, metals and agricultural markets. These strategies are focused on opportunities that arise due to the rapidly changing fundamentals that drive the term structure of the commodity futures curves. These strategies may employ futures, swaps, options and other commodity derivatives and may also take a directional position.

- Distressed Strategies: Distressed strategies involve purchases and sales of debt and quasi-debt securities and obligations of companies with what the market perceives to be a declining creditworthiness. Portfolio Managers engaging in this strategy will often purchase obligations of declining or low-credit quality borrowers at a discount, with the hope or expectation that the company will either improve its performance without the need to enter into

bankruptcy or insolvency proceedings, or that the company will seek the protection of bankruptcy and insolvency laws and that its previously outstanding debt obligations will be converted into obligations of or equity in a healthier, restructured company.

- Closed-End Fund/Asset Arbitrage Strategies: This strategy involves identifying discounted or high premium closed-end funds, companies with shares priced below net asset value, or mispriced parent-subsidiary situations. This strategy can be combined with short sales and derivative positions to create a hedge, or with an activist strategy designed to cause the management to take actions that would cause the closed end fund's stock price to converge with its portfolio's net asset value.

- Convertible Arbitrage Strategies: Convertible arbitrage strategist identify convertible bonds, convertible preferred stocks and/or warrants that appear mispriced to fair value, or in relation to the underlying security, and offer a favorable rate of return. By establishing a long position in a convertible security (usually preferred stock or bonds) and a partially offsetting short position in the underlying security into which the convertible security is convertible (usually common stock of the issuer), a Portfolio Manager invests with the expectation of capturing value by way of one or more themes including price or yield differences, attractive absolute cash flow (e.g., coupon income and stock borrowed rebate),cheap long volatility exposure, and attractive security adjustment features due to expected corporate events. Other financial instruments such as futures, options and credit default swaps may be used to hedge individual security and/or portfolio exposure.

- Options Trading Strategies: Options arbitrage (also known as option-volatility trading) is a derivatives-based strategy that seeks to profit from market turbulence (or the lack thereof), as reflected in movements in option prices that result from market fluctuations. The goal of a Portfolio Manager employing this strategy is to buy inexpensively priced (i.e., cheap implied volatility) options whose underlying instruments are historically more volatile, and sell expensively priced (i.e., rich implied volatility) options whose underlying instruments are historically less volatile. The strategy may be implemented through options on equities and equity indices. Such option combinations include spreads (buying an option to buy or sell an asset while simultaneously selling an option to buy or sell the same asset with a different expiration date or strike price) or straddles (option combinations that will profit from movement in the level of the value of an asset outside of certain bands, or the lack of such movement, without regard to whether the movement is upward or downward). Option-volatility trading may also involve trades in which futures (or other derivatives) are used to create a position that synthetically resembles an option or option combination, or in which options are purchased or sold versus an offsetting position in the underlying market (such as a basket of stocks). The decision process is dependent on fundamental and technical analysis of the underlying instruments. Computer models are often used to enhance the execution of various hedges.

Eligible Investments

The Investment Manager, in managing the Partnership's assets, follows an investment strategy that is opportunistic with respect to investments and strategies and that is broadly diversified and global in scope. Consistent with this approach (and unlike many investment partnerships that as a matter of investment policy require that no more than a fixed percentage of

their assets are invested in any one industry or group of industries), the Investment Manager does not establish fixed guidelines regarding diversification of investments to be followed by the Partnership. At any given time, the Partnership's assets could be concentrated in securities or asset classes that the Investment Manager believes offer an optimal opportunity for capital appreciation. However, by virtue of the Partnership's structure, in which assets are allocated among a number of Portfolio Managers utilizing different strategies and investment approaches, as well as the Investment Manager's general risk management principles, which discourage concentrations, the Partnership's assets will usually be employed among a diversified set of strategies.

The Partnership is authorized to invest, directly or indirectly, in all types of securities and instruments of United States and non-U.S. issuers and to participate in other potentially profitable opportunities, including without limitation the short selling of securities. Examples of securities traded and other investments to be made by the Partnership include, but are not limited to: capital stock; shares of beneficial interest; partnership interests and similar financial instruments; mortgage-backed securities; interests in real estate and real estate related assets; bonds, notes, debenture (whether subordinated, convertible, secured, unsecured or otherwise); currencies; commodities; interest rate, currency, commodity, equity and other derivative products, including, without limitation, (i) futures contracts (and options thereon) relating to stock indices, currencies, United States government securities and securities of non-U.S. governments, other financial instruments and all other commodities, (ii) swaps, options, contracts for differences, warrants, caps, collars, floors and forward rate agreements, (iii) spot and forward currency transactions and (iv) agreements relating to or securing such transactions; equipment lease certificates; equipment trust certificates; loans, loan participations, and other obligations and instruments or evidences of indebtedness of whatever kind or nature; accounts and notes receivable and payable held by trade or other creditors; trade acceptances; contract and other claims; executor contracts; participations and sub- participations; assignments of rights under financial and derivative contracts; viatical settlements; insurance policies; pollution credits; money market funds; obligations of the United States or any state thereof, non-U.S. governments and instrumentalities of any of them; commercial paper; certificates of deposit; bankers' acceptances; trust receipts; and annuities, structured settlements and similar payment rights.

The Portfolio Managers, when they consider it appropriate and consistent with applicable regulations and firm policies, may utilize repurchase and reverse repurchase agreements, short sales, and leverage in their investment programs.

Direct Investing and Seed Investing

The Partnership may invest directly in financial instruments (as opposed to through Portfolio Managers) utilizing any of the strategies described herein, or utilizing other strategies as deemed appropriate by the Investment Manager. The Partnership may provide seed capital or early stage capital, as well as negotiated capital, to one or more new or established Portfolio Managers. The Investment Manager may seek to enhance the return the Partnership receives from such investments through various contractual arrangements that provide the Partnership with reduced fee arrangements or an interest in the asset-based and performance-based compensation generated from other sources by the

applicable Portfolio Managers. The Investment Manager may negotiate any other appropriate return-enhancing or other arrangements in its sole discretion.

Strategy Development

There are no substantive limits on the investment strategies that may be pursued by the Partnership. The Partnership's capital may be invested in strategies other than those listed above, and in strategies that may differ from those described above. In addition, as noted above, the Investment Manager employs an opportunistic investment strategy in allocating the Partnership's capital with an emphasis on consistency of returns rather than consistency of strategies, so the amount of capital invested in each strategy generally will vary and new trading and investment strategies which are different from (or are not included in) those described above may (a) receive allocations of the Partnership's capital or (b) receive increased allocations of the Partnership's capital.

Hedging

The Investment Manager intends to employ various hedging techniques to reduce certain actual or potential risks to which the Partnership's portfolio may be exposed. These hedging techniques may involve the use of derivative instruments, including swaps, futures and forward contracts, exchange-listed and over-the-counter put and call options, currency contracts, and interest rate transactions. The Investment Manager may employ these hedging techniques directly or by investing a portion of the Partnership's capital with a Portfolio Manager that engages in such hedging techniques. The Partnership is not required to employ any such hedging techniques and, in the discretion of the General Partner, may refrain from doing so at any time or with respect to any positions. Even when such techniques are employed, they seldom hedge the risks of positions entirely, and in some circumstances losses may be incurred on both the underlying position and the hedge position simultaneously.

THE PARTNERSHIP'S INVESTMENT PROGRAM ENTAILS SUBSTANTIAL RISKS AND THERE CAN BE NO ASSURANCE THAT THE PARTNERSHIP'S OBJECTIVES WILL BE ACHIEVED. THE USE OF LEVERAGE AND OTHER TRADING AND INVESTMENT TECHNIQUES WHICH ONE OR MORE PORTFOLIO MANAGERS AND/OR THE INVESTMENT MANAGER MAY EMPLOY FROM TIME TO TIME ON BEHALF OF THE PARTNERSHIP CAN, IN CERTAIN CIRCUMSTANCES, INCREASE THE ADVERSE IMPACT TO WHICH THE PARTNERSHIP'S PORTFOLIO MAY BE SUBJECT. (SEE "*CERTAIN RISK FACTORS*.")

GENERAL PARTNER; INVESTMENT MANAGER

Boothbay Hybrid GP, LLC, a Delaware limited liability company formed in January 2012 (the "**General Partner**"), will serve as the general partner of the Partnership and will manage the day-to-day affairs of the Partnership as well as perform certain administrative functions for the Partnership. Boothbay Fund Management, LLC, a Delaware limited liability company formed in January 2012 (the "**Investment Manager**"), will serve as the Investment

Manager of the Partnership and will be responsible for making all investment decisions on behalf of the Partnership and for selecting Portfolio Managers for the Partnership in accordance with an Investment Management Agreement between the Partnership and the Investment Manager (the "**Investment Management Agreement**"). Neither the General Partner nor the Investment Manager is registered as an investment advisor under the Investment Advisers Act of 1940, as amended, or under the laws of any other jurisdiction. The principal of both the General Partner and the Investment Manager is Ari Glass.

The principal office of the General Partner and the Investment Manager is located at 810 7th Avenue, 4th Floor, New York, New York 10019.

Ari Glass

Ari Glass founded the General Partner and the Investment Manager in January 2012 and oversees all of their activities. Previously, Mr. Glass served as President of Paine Heights Management LLC, which began as part of Platinum Management (NY) LLC. There, he oversaw many of the company's interests, including managing a special opportunity hedge fund that invested in the SPAC marketplace of 2008-2009 and through a subsidiary advised on a transaction in the New Jersey Solar Energy sector in 2011. Mr. Glass was the President of Platinum Management (NY), LLC ("**Platinum**") from March 2007 through May 2009, where he oversaw all non-investing activities, and shared responsibilities for asset allocation and risk management, including the selection of portfolio managers for Platinum's multi-manager private investment funds. Prior to joining Platinum, Mr. Glass served as the Chief Operating Officer of Intrepid Capital Management ("**Intrepid**"), a $2.5 billion hedge fund organization, which he joined in August 2000. At Intrepid, Mr. Glass oversaw all non-portfolio related activities. In 2004, Mr. Glass launched Intrepid Associates, an affiliated entity that added fund managers to Intrepid's platform, including sector funds in the healthcare and global utilities spaces. From April 1998 until August 2000, Mr. Glass worked as Chief Financial Officer/Controller at Vector Capital Management ("**Vector**"), a statistical arbitrage hedge fund in Norwalk, CT. Prior to joining Vector, Mr. Glass spent 1995 to 1998 at Coopers & Lybrand, LLP, and 1994 to 1995 at Prudential Securities.

Mr. Glass graduated from Queens College, with honors, in 1993 with a B.A. in Accounting and Information Systems.

INVESTOR SUITABILITY

The purchase of Interests should be considered as a long-term investment. A prospective investor, in determining whether Interests are a suitable investment, should consider carefully that there will be a limited number of Interests sold, the transferability thereof will be limited and no public or secondary market will develop for Interests. The Interests have not been registered under the Securities Act of 1933, as amended (the "**Securities Act**"), and accordingly cannot be resold unless each is so registered or an exemption from such registration requirement is available, state securities laws are complied with and the consent of the General Partner is obtained. Investors will be required to acknowledge in writing to the Partnership that they understand that the Limited Partnership Agreement will indicate such restrictions and that their Interests may not be resold except in compliance with such provisions. A registration statement

relating to the Interests has not and will not be filed with the securities department of any state or with the Securities and Exchange Commission ("**SEC**"). (See "*Certain Risk Factors*" and "*Outline of Limited Partnership Agreement*.")

In addition, the Limited Partnership Agreement provides for other restrictions on the transfer of Interests. Accordingly, Interests are suitable investments only for selected qualified investors who fully understand, are willing to assume, and who have the financial resources necessary to understand the risks involved in the Partnership's investment program and to bear the potential loss of their entire investment in the Partnership. Each prospective purchaser is urged to consult with his own professional advisers to determine the suitability of an investment in the Partnership, and the relationship of such an investment to the purchaser's overall investment program and financial and tax position. Each purchaser of an Interest is required to further represent that, after all necessary advice and analysis, an investment in an Interest is suitable and appropriate for him in light of the foregoing considerations.

The General Partner reserves the right, in its sole discretion, to accept or reject any subscription to purchase an Interest for any reason.

The Partnership will sell Interests primarily to U.S. taxable investors and, potentially, to a limited number of non-U.S. investors and U.S. tax-exempt investors, who, in all cases, qualify as (i) "accredited investors" within the meaning of Rule 501(a) of Regulation D promulgated under the Securities Act and (ii) "qualified purchasers" within the meaning of Section 2(a)(51) of the Investment Company Act of 1940, as amended. For the qualifying criteria of an "accredited investor" and a "qualified purchaser" see the Partnership's Subscription Agreement.

If the General Partner determines that any Limited Partner satisfies the suitability requirements of another investment fund managed by the General Partner, the Investment Manager or one of their affiliates that has substantially the same trading strategy, portfolio and investment terms (including, fees and withdrawal provisions that are substantially the same or more favorable than those of the Partnership) as the Partnership (an "**Affiliated Investment Fund**"), the General Partner may, in its sole discretion, cause such Limited Partner to withdraw and transfer the value of its Capital Account (as defined below) to such Affiliated Investment Fund. Such withdrawals will not be subject to any otherwise applicable Early Withdrawal Charges or the Investor Gate.

POTENTIAL INVESTORS ARE CAUTIONED TO REFER TO THIS MEMORANDUM FOR A DISCUSSION OF THE PROVISIONS OF THIS OFFERING AND RISKS AND OTHER FACTORS RELATIVE TO AN INVESTMENT IN THE PARTNERSHIP.

FISCAL YEAR

The Partnership's fiscal year ends on December 31st of each calendar year.

ALLOCATION OF GAINS AND LOSSES; NEW ISSUES

Capital Accounts

Upon each Partner's admission to the Partnership, a capital account ("**Capital Account**") will be established on the books of the Partnership for such Partner in the amount of such Partner's initial capital contribution. A separate Capital Account will be established for each capital contribution made by a Partner to the Partnership for purposes of calculating the Incentive Allocation (as defined below). The term "Capital Account" as used throughout this document shall be deemed to refer to all of a particular Partner's capital accounts in the aggregate.

Incentive Allocation

At the end of each accounting period of the Partnership, any net capital appreciation[1] or net capital depreciation[2] is tentatively allocated to all Partners (including the General Partner) in proportion to each Partner's opening Capital Account for such accounting period. At the end of each fiscal year of the Partnership or upon a Partner's withdrawal of all or any portion of the capital in his Capital Account, fifteen percent (15%) of the aggregate net capital appreciation (determined after all Partnership expenses are taken into account) allocated to each Capital Account (or the withdrawing Limited Partner's applicable Capital Account with respect to the capital so withdrawn) for such fiscal year (or elapsed portion thereof) will be reallocated to the Capital Account of the General Partner (the "**Incentive Allocation**"). The Incentive Allocation will be calculated gross of any tax withholdings made by the Partnership with respect to a Limited Partner.

For purposes of calculating the Incentive Allocation for each Capital Account of a Limited Partner, net capital appreciation with respect to such Capital Account will be deemed reduced by the unrecovered balance, if any, in the Loss Recovery Account corresponding to such Capital Account. The Loss Recovery Account is a memorandum account, established for each Capital Account upon the establishment of such Capital Account, the opening balance of which is zero. At each date that an Incentive Allocation is to be determined, the balance in each Loss Recovery Account will be charged with aggregate net capital depreciation allocated to the corresponding Capital Account since the last date on which a calculation of the Incentive Allocation was made (or in the case of the first such calculation for a Capital Account, since the creation of such Capital Account) and credited, but not above zero, by aggregate net capital appreciation allocated to the corresponding Capital Account since such date. In the event that a Limited Partner with an unrecovered balance in a Loss Recovery Account withdraws a portion of

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[1] "Net capital appreciation" refers to the excess, if any, of the value of the Partnership's net assets at the end of each accounting period (without taking into account withdrawals of capital at the end of the accounting period and determined after taking all Partnership expenses into account) over the value of the Partnership's net assets at the beginning of such accounting period (determined after giving effect to capital contributions made effective as of the beginning of such accounting period).

[2] "Net capital depreciation" refers to the excess, if any, of the value of the Partnership's net assets at the beginning of each accounting period (determined after giving effect to capital contributions made effective as of the beginning of such accounting period) over the value of the Partnership's net assets at the end of such accounting period (without taking into account withdrawals of capital at the end of the accounting period and determined after taking all Partnership expenses into account).

his capital from the corresponding Capital Account, the unrecovered balance in such Loss Recovery Account will be proportionately reduced. Additional capital contributions will not affect any Loss Recovery Account. The effect of having the Loss Recovery Account is to reduce, only for purposes of calculating the Incentive Allocation, the amount of net gain for a particular period by any net loss for prior periods, and thereby to reduce the Incentive Allocation otherwise allocable during the later period.

The Limited Partnership Agreement provides that the General Partner may amend the provisions of the Limited Partnership Agreement relating to the Incentive Allocation so that it conforms to any applicable requirements of the SEC and other regulatory authorities, so long as such amendment does not increase the Incentive Allocation chargeable to a Limited Partner for any fiscal year without that Limited Partner's consent. Moreover, the Limited Partnership Agreement provides that the General Partner may declare distributions from the Partnership to the Partners at any time.

The General Partner shall have the right to fully or partially waive receipt of any Incentive Allocation with respect to one or more Limited Partners without notice to, or the consent of, the other Limited Partners. The Partnership, with the consent of the General Partner and/or the Investment Manager, as applicable, may also pay or allocate a portion of the General Partner's Incentive Allocation and/or the Management Fees due to the Investment Manager (as described below), to one or more third parties (including affiliates of the Investment Manager and the General Partner) who refer investors to the Partnership or perform other services for the General Partner and/or Investment Manager.

Sub-Accounts, generally; New Issues

In the event the General Partner determines that, based upon tax or regulatory reasons, or any other reasons as to which the General Partner and a Limited Partner agree, such Limited Partner should not participate in the net capital appreciation or net capital depreciation, if any, attributable to trading in any security, type of security or to any other transaction, the Limited Partnership Agreement permits the General Partner to allocate such net capital appreciation and net capital depreciation only to the Capital Accounts of the Partners to whom such reasons do not apply. In addition, if for any of the reasons described above or below, the General Partner determines that a Limited Partner should have no interest whatsoever in a particular security, type of security or transaction, the Limited Partnership Agreement permits the General Partner, without the consent of the Limited Partners, to set forth the interests in any such security in a separate memorandum account and the net capital appreciation and net capital depreciation for each such memorandum account shall be separately calculated.

Without limiting the reasons for establishing a separate memorandum account, one reason would be restrictions upon certain Limited Partners participating in so-called "new issues" — initial public offerings of equity securities. The General Partner may, in its discretion, establish a separate memorandum account so that the following Limited Partners will not be allocated any share (or, if applicable, a reduced share) of the Partnership's investments in "new issues": (i) Limited Partners who are not permitted, or who may not be permitted under certain circumstances, to participate in profits resulting from "new issues" under rules of the Financial Industry Regulatory Authority, Inc. ("**FINRA**"); (ii) Limited Partners who fail to provide the

Partnership with sufficient information to establish that they are eligible to participate in such profits; and (iii) Limited Partners who indicate that they wish not to be allocated such profits. For the avoidance of doubt, the General Partner may, in its discretion, fully or partially restrict a Limited Partner's participation in "new issues" profits, even if such restriction is not required by FINRA rules.

MANAGEMENT FEE; FEES AND EXPENSES

Management Fee

Pursuant to the Investment Management Agreement, the Investment Manager charges the Partnership an annual management fee (the "**Management Fee**") of one percent (1.0%) of the net asset value of each Limited Partner's Capital Account, 0.25% payable quarterly in advance on the first day of each calendar quarter based upon such Capital Account's net asset value on such date, including any capital contributions to the Capital Account made as of such date. Capital contributions made as of times other than the first day of a calendar quarter will be assessed a *pro rata* Management Fee at the time of contribution. Once paid, the Management Fee is non-refundable.

The Investment Manager may, in its discretion, waive, reduce, or discount the Management Fee with respect to one or more Limited Partners without notice to, or the consent of, the other Limited Partners.

Other Fees and Expenses

In addition to the Management Fee, the Partnership will bear its own expenses, including expenses directly or indirectly related to the Partnership's operations and investment transactions and positions for the Partnership's account, interest expense, brokerage commissions, custodial fees, costs of borrowing securities to be sold short, research and due diligence fees and expenses (including any travel to perform research or initial and ongoing due diligence on Portfolio Managers, online news and quotation services, computer hardware and software used for research, Bloomberg service, etc.), seat license fees, withholding and transfer taxes, blue sky fees and other initial and ongoing offering costs and expenses, initial and ongoing legal, audit, administration and accounting fees and expenses, investor reporting costs, risk management costs (including risk management systems and technology), data storage and connectivity charges, insurance expenses, consulting fees and expenses, professional fees and expenses, and other similar fees and expenses. To the extent any Partnership expenses are advanced by the General Partner or the Investment Manager on behalf of the Partnership, such expenses will be promptly reimbursed.

The General Partner and the Investment Manager will generally be responsible for their own overhead expenses including rent and utilities and the compensation of their employees; provided, that the Partnership will be responsible for expenses incurred in connection with risk management and due diligence of existing and prospective investments and Portfolio Managers by the Investment Manager's employees, including, without limitation, all or a portion of the compensation of the employees of the Investment Manager who perform such risk management

and due diligence for the benefit of the Partnership (collectively, "**Diligence Expenses**"). The Investment Manager will determine, in its sole discretion, the level of Diligence Expenses.

The Partnership will also bear its pro rata share of the performance fees and other fees paid to Portfolio Managers and other persons who render services to the Partnership or the Investment Manager. A substantial portion of the compensation to Portfolio Managers will be in the form of fees and/or allocations based on the performance of their respective portfolios.

The Partnership will pay, or reimburse the General Partner and/or the Investment Manager for, the Partnership's organizational fees and expenses (including the costs of preparing this Memorandum and the Limited Partnership Agreement), and the Partnership's offering expenses which will be amortized by the Partnership for tax purposes over the applicable period. For financial reporting purposes, the General Partner may cause the Partnership's organizational fees and expenses to be amortized over a period of five years (even though not in accordance with U.S. generally accepted accounting principles ("**GAAP**")), unless such treatment results in adverse regulatory consequences in which case the Partnership shall be entitled to expense such items on a current basis for financial statement purposes. The Partnership may, however, continue to amortize such expenses for purposes of calculating the Partnership's net asset value.

In addition to amounts paid to Portfolio Managers, the Investment Manager may from time to time in its discretion cause the Partnership to pay a commission, management fee and/or performance fee or allocation to a third-party who introduces trading and investment opportunities to the Partnership or who assists the Investment Manager in sourcing, managing and/or servicing the Partnership's investments.

See "*Allocation of Gains and Losses; New Issues*" for a description of the General Partner's Incentive Allocation.

ADMINISTRATOR

The Partnership has appointed Opus Fund Services (the "**Administrator**") to serve as its administrator and perform all general administrative tasks for the Partnership, including preparing financial records, calculation of the net asset value including the Incentive Allocation, maintaining the Partner register, and handling capital subscriptions and withdrawals.

Under the Administration Agreement, the Partnership will indemnify the Administrator and its affiliates, members, partners, employees and agents from and against any and all claims, demands, actions and suits, and from and against any and all judgments, liabilities, losses, damages, costs, charges, counsel fees and other expenses of every nature and character (collectively "**Losses**") arising from or relating to the Administrator's provision of services under the Administration Agreement, provided that this indemnification shall not apply to the extent any such Losses resulted from the Administrator's gross negligence, willful misconduct or bad faith. The Administrator's aggregate liability to the Partnership is also subject to cap equal to the fees paid by the Partnership to the Administrator under the Administration Agreement.

THE ADMINISTRATOR WILL NOT PROVIDE ANY INVESTMENT ADVISORY OR MANAGEMENT SERVICES TO THE PARTNERSHIP AND THEREFORE WILL NOT BE IN ANY WAY RESPONSIBLE FOR THE PARTNERSHIP'S PERFORMANCE. THE

ADMINISTRATOR WILL NOT BE RESPONSIBLE FOR MONITORING ANY INVESTMENT RESTRICTIONS OR COMPLIANCE WITH THE INVESTMENT RESTRICTIONS AND THEREFORE WILL NOT BE LIABLE FOR ANY BREACH THEREOF.

CERTAIN RISK FACTORS

An investment in the Partnership involves substantial risks, and prospective investors should carefully consider, among other factors, the risks described below. These risk factors are not intended to be an exhaustive listing of all potential risks associated with an investment in the Partnership:

No Operating History. The Partnership is a newly formed entity and has no operating history upon which investors can evaluate the likely performance of the Partnership. The prior performance of any other entity or account managed by the General Partner, the Investment Manager or Ari Glass, including, without limitation, Boothbay Hybrid Fund, LP (the "**Hybrid Fund**"), or any other entity with which Mr. Glass is or has been affiliated, should not be relied upon to predict the future performance of the Partnership.

Business Dependent Upon Key Individual. The Limited Partners will have no authority to make decisions or to exercise business discretion on behalf of the Partnership. The authority for all such decisions is delegated to the General Partner and the Investment Manager. The success of the Partnership, therefore, is expected to be significantly dependent upon the expertise and efforts of the General Partner and the Investment Manager and, more particularly, of Mr. Glass. (See "*General Partner; Investment Manager.*") The ownership and control of one or both of the General Partner and the Investment Manager may change without the approval of the Limited Partners.

Concentration of Investments. The Investment Manager will seek to diversify the Partnership's portfolio (see "*Investment Program*"). Nevertheless, at times the Partnership may have a relatively large exposure to a single issuer or group of affiliated issuers, or to a specific geographic location or a single investment strategy. Losses incurred in those investments could have a material adverse effect on the Partnership's overall financial condition. This is because the value of Interests will be more susceptible to any single occurrence affecting one or more of those issuers, geographic areas or strategies than would be the case with a more diversified investment portfolio.

Absence of Regulatory Oversight. While the Partnership may be considered similar to an investment company, it is not and will not be registered as such under the Investment Company Act of 1940, as amended (the "**1940 Act**"), in reliance upon an exemption available to privately offered investment companies and, accordingly, the provisions of the 1940 Act (which, among other things, require investment companies to have a majority of disinterested directors, require securities held in custody to be individually segregated at all times from the securities of any other person and to be marked to clearly identify such securities as the property of such investment company, and regulate the relationship between the advisor and the investment company) are not applicable. These provisions will also not be applicable to most, if not all, Portfolio Managers with which the Partnership invests. Because securities of the Partnership

held by brokers are generally not held in the Partnership's name, a failure of any such broker is likely to have a greater adverse impact on the Partnership than if such securities were registered in the Partnership's name.

Neither the Investment Manager nor the General Partner is currently registered as an investment adviser with the Securities and Exchange Commission (the "**SEC**") or with any other jurisdiction or as a commodity trading advisor or commodity pool operator with the Commodity Futures Trading Commission ("**CFTC**"), although either entity may do so in the future. Many of the Portfolio Managers with which the Partnership invests will also not be registered as investment advisers with the SEC or with any other jurisdiction or as commodity trading advisors or commodity pool operators with the CFTC. Consequently, some of the protections that would otherwise be available to investors if the Investment Manager, the General Partner and/or the Portfolio Managers were subject to more comprehensive regulatory oversight may not be available with respect to investments in the Partnership.

Quantitative Strategies. As part of their trading strategies, certain Portfolio Managers will utilize techniques that rely, at least primarily on quantitative analysis to identify potential investments. Quantitative analysis produces positive results only to the extent that the market prices of securities revert toward the value which the Portfolio Manager's calculations suggest. No assurance can be given that the trading systems employed by a Portfolio Manager will be successful in a given set of market conditions, or that such trading system is the most successful available system. In addition, if numerous traders employ a similar system, this may impede the ability of the Portfolio Manager to execute these trades at attractive prices. The use of a computer in collating information or in developing and operating a trading method does not assure the success of the method because a computer is merely an aid in compiling and organizing price information. Accordingly, no assurance is given that the decisions based on the any Portfolio Manager's trading program will produce profits for the Partnership.

Derivative Contracts. The Partnership may acquire interests in contracts commonly known or referred to as "derivatives." Such contracts may include interest rate or other swap contracts and other notional principal amount agreements. In addition to ordinary investment risk, such contracts may involve certain additional risks, including counterparty risk (i.e., the risk that the other party to the contract will not perform its obligations), and liquidity risk (since there may not be a liquid market within which to close outstanding derivatives contracts).

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") enables the CFTC and the SEC to enact new regulations on certain over-the-counter derivatives. Under the Dodd-Frank Act, certain over-the-counter derivatives contracts will be regulated through regulated clearing houses and subject to regulation by the SEC and the CFTC. The type and number of derivatives contracts subject to the clearing requirement, the regulations governing swaps clearing organizations and exchanges, the scope of the swaps dealer and major swap participant definitions, and the capital and margin requirements imposed on such entities, await regulatory action. The ultimate impact of the Dodd-Frank Act on the derivatives market is unclear and will depend in large part on future government regulations.

Risks Associated With Investments in Mortgage-Back Securities (MBS). A mortgage comes equipped with a repayment schedule which establishes a sequence of monthly payments

through which homeowners can pay off their debt. In the U.S., homeowners have the right to prepay their mortgage at any point in time. The homeowner's right to prepay his mortgage through voluntary means (home sales, refinancing, curtailment) can be thought of as equivalent to the homeowner purchasing a "call option" when he enters into a mortgage contract. Similarly, the homeowner's right to default on his mortgage (involuntary prepayment) is equivalent to purchasing a "put option" when he enters into a mortgage contract. Thus, the investor in an MBS has a short position in a call and put option (usually referred to jointly as a prepayment option) and a long position in non-callable bond with the same payment schedule as the MBS (there are some special cases discussed below in which MBS holders can be long prepayment options). The implication is that the risks associated with investing in an MBS are a combination of the risks that are present in all fixed-income cash flows along with some risks that are specific to MBS. Many of the complexities of MBS valuation arise from the fact that the value of the prepayment option of the homeowner is a complex function of many variables including the actual path of interest rates, the average age of the mortgage pool, the borrower's credit profile, home price appreciation, and the slope of the yield curve, among other factors.

Distressed Securities. The Partnership may trade in "distressed securities" -- securities, private claims and obligations of domestic and foreign entities which are experiencing significant financial or business difficulties, such as loans, commercial paper, loan participations, trade claims held by trade or other creditors, stocks, partnership interests and similar financial instruments, executory contracts and options or participations therein not publicly traded. Distressed securities involve a substantial degree of risk. The Partnership may lose a substantial portion or all of its investment in a distressed position or may be required to accept cash or securities with a value less than the Partnership's investment. Among the risks inherent in positions in entities experiencing significant financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such positions also may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of such positions are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices of such instruments may be greater than normally expected. In trading distressed securities, litigation is sometimes required. Such litigation can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses.

The Partnership may also trade in "distressed" sovereign debt obligations. There are particular risks relating to the investment and trading of these instruments. These risks include the uncertainties involved in enforcing and collecting debt obligations against sovereign nations. The ability to enforce and collect obligations against foreign sovereigns may be affected by world events, changes in U.S. foreign policy, and other factors outside the control of the Partnership.

Illiquid Securities. The Partnership may also trade in illiquid securities, such as unregistered securities of publicly held companies and securities of privately held companies. Such positions may require a significant amount of time from the date of initial investment before disposition. At various times, the markets for securities purchased or sold by the Partnership may be "thin" or illiquid, making the purchase or sale of securities at desired prices

or in desired quantities difficult or impossible. There may be no market for unlisted securities traded by the Partnership. In some cases, the Partnership may be contractually prohibited from disposing of such securities for a specified period of time. Further, the sale of any such positions may be possible only at substantial discounts and such positions may be extremely difficult to value. If a substantial number of Partners were to withdraw from the Partnership and the Partnership did not have a sufficient amount of liquid securities, the Partnership might have to meet such withdrawals through distributions of illiquid securities. The Partnership may invest a portion of its assets in securities that are not registered under the Securities Act of 1933, as amended (the "**Securities Act**"). The Partnership will purchase such securities in reliance upon the exemption from registration provided by Regulation D or in similar transactions. Securities purchased pursuant to Regulation D are often illiquid because, unless such securities are subsequently registered under the Securities Act, they may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable securities law.

Limited Liquidity; No Secondary Market. An investment in the Partnership is suitable only for sophisticated investors who have no need for current liquidity. An investment in the Partnership provides very limited liquidity since Interests are not freely transferable and Limited Partners are permitted to make withdrawals of capital from the Partnership only at certain designated times and with substantial prior notice. Withdrawals are also subject to certain substantial limitations, including, potentially, an Early Withdrawal Charge and the Investor Gate. There is no secondary market for Interests and none is likely to develop in the future. Withdrawal distributions may be made in kind. (See "*Allocation of Gains and Losses*," "*Certain Risk Factors—In-Kind Distributions*" and "*Investor Suitability*.")

The Partnership will likely from time to time directly or indirectly invest a portion of its assets in illiquid investments. The Partnership may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such securities for a specified period of time. The Partnership may also directly or indirectly invest in assets for which no organized trading market exists and which may be extremely difficult for the Partnership to sell. In addition, certain Portfolio Managers with which the Partnership invests may prohibit the Partnership from making withdrawals of capital from its investments for a substantial period of time and/or charge the Partnership certain fees upon its withdrawal of capital therefrom. See also "*In-Kind Distributions*."

Certain Investors. Certain prospective Limited Partners may be subject to laws (including, without limitation, tax laws), rules and regulations which may regulate their participation in the Partnership, or their engaging directly, or indirectly through an investment in the Partnership, in trading strategies of the types which the Partnership and certain Portfolio Managers may utilize from time to time (*e.g.*, short sales of securities and the use of leverage). Prospective Limited Partners are strongly urged to consult with their legal and tax advisors prior to investing in the Partnership.

Indemnification. The Limited Partnership Agreement and the Investment Management Agreement contain broad indemnification provisions that require the Partnership to indemnify and hold the General Partner, the Investment Manager and their respective principals, members and managers, as applicable, harmless from any losses or costs incurred by them except in

certain limited circumstances. (See "*Outline of Limited Partnership Agreement*.") Similarly, the management and partnership agreements entered into with Portfolio Managers will in all likelihood require the Partnership to similarly indemnify and hold harmless the Portfolio Managers except in very limited circumstances. The Partnership has also agreed to indemnify the Administrator in certain limited circumstances described in the Administration Agreement.

Agreements with Certain Limited Partners; Access to Information; Enhanced Liquidity. The Partnership will provide Limited Partners with monthly unaudited information regarding the Partnership's performance. Subject to applicable law, the Partnership, the Investment Manager or the General Partner, however, may enter into "side letter" agreements with certain Limited Partners pursuant to which they may give one or more Limited Partners access to more frequent and/or more detailed information regarding the Partnership's securities positions, performance and finances. In addition, pursuant to any such side letter agreement, the General Partner may give certain Limited Partners the right to withdraw all or a portion of their capital from the Partnership on shorter notice and/or with more frequency than the terms described in this Memorandum, unless the General Partner concludes that the other Limited Partners will be materially prejudiced. As a result, certain Limited Partners may be better able to assess the prospects and performance of the Partnership than other Limited Partners, and may be able to withdraw their capital from the Partnership at times when other Limited Partners may not. Subject to applicable law, the Partnership does not intend to disclose the terms of such side letter agreements and does not intend to disclose the identities of the Limited Partners that have entered into such agreements with the Partnership, the Investment Manager or the General Partner.

Portfolio Manager Compensation. Allocation of capital by the Investment Manager to Portfolio Managers, rather than investing the Partnership's assets directly, significantly increases the fees and expenses payable by the Partnership because the Portfolio Managers charge their own fees and expenses, which are in addition to the Incentive Allocation, Management Fee and expenses incurred by the Partnership. The Portfolio Managers' incentive fees will generally be based on the individual performance of each Portfolio Manager, irrespective of the overall performance of the Partnership. The fact that incentive fees are individually calculated exposes the Partnership to the risk of paying a Portfolio Manager during periods when the net asset value of the Partnership decreases and of having its assets actually depleted by incentive fees and allocations.

Offsetting Investments. The Portfolio Managers at times may hold economically offsetting positions. To the extent that the Portfolio Managers do, in fact, hold such positions, the Partnership, considered as a whole, may not achieve any gain or loss despite incurring substantial expenses.

Investment and Trading Risks. All securities investments risk the loss of capital. No guarantee or representation is made that the Partnership's or any Portfolio Manager's trading program will be successful or that the Partnership will not incur losses. A Portfolio Manager's trading program may utilize investment techniques including, but not limited to, trading in derivatives, the use of leverage, and short sales, which in practice can, in certain circumstances, increase the adverse impact to which the Partnership may be subject. In addition, in certain transactions, the Partnership may not be "hedged" against market fluctuations or, in

reorganization or liquidation situations, may not accurately value the assets of the subject company or the degree of legal and regulatory risk associated with investments in the securities of companies in such situations.

Leverage. Use of leverage by the Partnership may be substantial. Leverage is the use of borrowed funds for trading and investment. Such borrowed funds would generally be obtained by using securities the Partnership owns as collateral. Leverage may be obtained through other means as well, including, without limitation, the use of derivative instruments. If the interest expense on borrowings were to exceed the net return on the positions acquired with borrowed funds, the Partnership's use of leverage would result in a lower rate of return than if the Partnership were not leveraged. If the amount of borrowings which the Partnership may have outstanding at any one time is large in relation to its capital, fluctuations in the market value of the Partnership's portfolio will have a disproportionately large effect in relation to its capital and the possibilities for profit and the risk of loss will therefore be increased. Any gains made with the additional monies borrowed will generally cause the value of the Partnership's assets to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies fails to cover their cost to the Partnership, the value of the Partnership's assets will generally decline faster than would otherwise be the case. The amount of any borrowing may also be limited by regulations imposed by the Federal Reserve Board or by the availability and cost of credit, as well as due to overall market conditions. If, due to market fluctuations or other reasons, the value of the Partnership's assets should fall below required regulatory levels, the Partnership will be required to reduce its debt by selling securities in its long portfolio. The Partnership may also be unable to carry-out its investment program if it is not able to obtain leverage on reasonable terms.

Withdrawal of Capital. Limited Partners may withdraw capital only in accordance with the terms of this Memorandum and the Limited Partnership Agreement. (See "*Outline of the Limited Partnership Agreement*.") Substantial withdrawals by investors within a short period of time could require the Partnership to liquidate securities positions more rapidly than would otherwise be desirable, possibly reducing the value of the Partnership's assets and/or disrupting the Partnership's investment program.

In-Kind Distributions. Although the General Partner intends to liquidate all of the Partnership's positions prior to the dissolution of the Partnership and distribute only cash to the Partners, there can be no assurance that the General Partner will meet this objective. In addition, if significant withdrawals are requested, the General Partner may be unable to liquidate the Partnership's positions at the time such withdrawals are requested or may be able to do so only at prices which the General Partner believes do not reflect the true value of such positions and which would adversely affect the Partners. Under the foregoing circumstances, the Limited Partners may receive in-kind distributions, if permitted by law or by contract, which in-kind distributions may include financial instruments, equity securities and other assets or instruments held by the Partnership as well as equity interests in subsidiaries of the Partnership or participating interests in assets owned by the Partnership. Such securities, instruments and other assets, which will be selected by the General Partner in its discretion will generally be distributed on a *pro rata* basis unless prevented by regulatory or legal circumstances. These assets may not be readily marketable or saleable and may have to be held by the Limited Partner, or by the

General Partner in trust for the Limited Partner, for an indefinite period of time. In addition, in-kind distributions may be made when the General Partner deems it advisable for tax purposes.

Incentive Allocation. The allocation of a percentage of net capital appreciation for a particular calendar year to the General Partner, an affiliate of the Investment Manager, may create an incentive for the Investment Manager to cause the Partnership to make investments that are riskier or more speculative than would be the case if this allocation were not made. The Incentive Allocation was set by the General Partner without negotiations with any third party. Portfolio Managers generally will receive incentive compensation from the Partnership based on the performance of their portfolios. Therefore, it is possible that certain of the Portfolio Managers may receive incentive compensation even though the Partnership, as a whole, does not have net capital appreciation. Additionally, the incentive compensation to the Portfolio Managers may create an incentive for the Portfolio Managers to cause the Partnership to make investments that are riskier or more speculative than would be the case if they were paid only a fixed compensation. The Investment Manager has full discretion to determine the amount and structure of the compensation to be paid to Portfolio Managers.

Layering of Fees, Allocations and Expenses. The Partnership's direct fees and expenses, coupled with the Incentive Allocation and the incentive compensation paid to the Portfolio Managers, results in multiple levels of fees, expenses and allocations. Accordingly, the Partnership's expenses may constitute a higher percentage of net assets than expenses associated with other investment entities.

Valuation. A portion of the Partnership's investments may be in securities or instruments for which market quotations are not readily available. The valuation of such securities and instruments will be determined by the General Partner, whose determination will be final and conclusive as to all parties, subject to the requirement that such valuations be made in accordance with GAAP. The General Partner may, but is not required to, obtain independent market quotations for, or appraisals of, such assets at the Partnership's expense. As the Incentive Allocation made to the General Partner is based directly on the Partnership's net asset value, the General Partner will have a conflict of interest in valuing these assets.

Foreign Investments. The Partnership may invest in foreign or domestic securities denominated in foreign currencies and/or traded outside of the U.S. Such investments require consideration of certain risks typically not associated with investing in U.S. securities or property. Such risks include, among other things, trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the U.S. or foreign governments, U.S. and foreign withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries, political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability in foreign nations.

There may be less publicly available information about certain foreign companies than would be the case for comparable companies in the U.S., and certain foreign companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. Securities markets outside the U.S., while growing in volume, have, for the most part, substantially less volume than U.S. markets, and many

securities traded on these foreign markets are less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, settlement of trades in some non-U.S. markets is much slower and more subject to failure than in U.S. markets. There also may be less extensive regulation of the securities markets in particular countries than in the U.S.

Additional costs could be incurred in connection with the Partnership's international investment activities. Foreign brokerage commissions and trading costs are generally higher than in the U.S. Expenses also may be incurred on currency exchanges when the Partnership or a Portfolio Manager changes investments from one country to another. Increased custodian costs as well as administrative difficulties (such as the applicability of foreign laws to foreign custodians in various circumstances, including bankruptcy, ability to recover lost assets, expropriation, nationalization and record access) may be associated with the maintenance of assets in foreign jurisdictions.

Short Selling. The Investment Manager and/or many of the Portfolio Managers will engage in short selling for the Partnership when deemed appropriate to their respective investment strategies. This practice may include situations where the Investment Manager or a Portfolio Manager believes, on the basis of its research and analysis, that the relevant security is overvalued, or that supply of such security is greater than that likely to be absorbed by current or future demand. The Investment Manager and/or a Portfolio Manager may also use short selling in an effort to limit the exposure of the Partnership or particular positions to price declines or fluctuations. Selling securities short involves selling securities that the Partnership does not own. In order to make delivery to their purchasers, the Partnership must borrow securities from third party lenders. The Partnership subsequently returns the borrowed securities to the lenders by delivering to the lenders securities purchased in the open market. Short selling inherently involves certain additional risks. Selling securities short creates the risk of losing an amount greater than the initial investment in a relatively short period of time and the theoretically unlimited risk of an increase in the market price of the securities sold short. Short selling can also involve significant borrowing and other costs, which can reduce the profit or create losses in particular positions.

Call Options. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. If the seller of the call option owns a call option covering an equivalent number of shares with an exercise price equal to or less than the exercise price of the call written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing his entire investment in the call option.

Put Options. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus

the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Forward Trading. Forward contracts (including foreign exchange) and options thereon are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on a an individual basis. Forward and "cash" trading is substantially unregulated -- there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration, which could result in substantial losses to the Partnership.

Futures Trading. Futures trading is very speculative, largely due to the traditional volatility of futures prices. Futures prices are affected by and may respond rapidly to a variety of factors, including (but not limited to) market and news reports, interest rates, national and international political or economic events, and domestic or foreign trade, monetary or fiscal policies or programs. Such rapid response might include an opening price on an affected futures contract sharply higher or lower than the previous day's close. In such an instance, the Partnership might be unable to adjust its positions in time to avoid a loss.

Commodity futures prices are highly volatile. Price movements of futures contracts are influenced by, among other things, changing supply and demand relationships, domestic and foreign governmental programs and policies, and national and international political and economic events.

Moreover, commodity exchanges limit fluctuations in commodity futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day no trades may be executed at prices beyond the daily limit. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can be neither taken nor liquidated unless traders are willing to effect trades at or within the limit. Commodity futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Partnership from promptly liquidating unfavorable positions and subject the Partnership to substantial losses.

Options on Futures. Trading options on futures involves a high degree of risk. The risks of trading options on futures are similar to the risks of trading securities options, but often involve even greater leverage and risks. In addition, if the purchaser of an option on a futures contract exercises the option, the holder will, in effect, be buying or selling the underlying futures contract, and will then be subject to the same risks as are attendant to futures trading.

Changes and Uncertainty in U.S. and International Regulation. The Partnership may be adversely affected by uncertainties such as international and domestic political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of the countries to which the Partnership is exposed through its investments or investor base. The tax and regulatory environment for hedge funds is evolving, and changes in the regulation or tax treatment of hedge funds and their investments may adversely affect the value of investments held by the Partnership or the Partnership's ability to pursue its trading strategy. During this period of uncertainty, market participants may react quickly to unconfirmed reports or information and as a result there may be increased market volatility. This unpredictability could cause the Investment Manager to alter investment and trading plans, including the holding period of positions and the nature of instruments used to achieve the Partnership's trading objective.

In the United States, the Partnership, the Investment Manager and the General Partner may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, the Financial Stability Oversight Council, and other U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. In addition, the securities and futures markets are subject to comprehensive statutes and regulations, including margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The Dodd-Frank Act could result in the Partnership, the Investment Manager and the General Partner becoming subject to additional regulatory compliance burdens and trade reporting, which may add significant costs to the Partnership. The Dodd-Frank Act endows the SEC, CFTC, and other regulators with discretionary authority to write and interpret new rules. The ultimate impact of the Dodd-Frank Act on the Partnership, the Investment Manager and the General Partner is unclear.

Accounting for Uncertainty in Income Taxes. ASC 740, "Income Taxes" (in part formerly known as "FIN 48"), which is part of U.S. GAAP, provides guidance on the recognition of uncertain tax positions. ASC 740 may require an entity reporting in accordance with U.S. GAAP to reserve a liability for income taxes on its books. ASC 740 prescribes the minimum recognition threshold that a tax position is required to meet before being recognized in an entity's financial statements. It also provides guidance on recognition, measurement, classification and interest and penalties with respect to tax positions. A prospective investor should be aware that, among other things, ASC 740 could have a material adverse effect on the periodic calculations of the net asset value of the Partnership, including reducing the net asset value of the Partnership to reflect reserves for income taxes that may be payable in respect of current and/or prior periods by the Partnership. This could cause benefits or detriments to certain Limited Partners, depending upon the timing of their entry and exit from the Partnership.

Also, the recent withdrawal of credit from financial markets has made it more difficult for private investment funds to access sources of leverage. To the extent that the Bailout Bill does not help eliminate the credit crunch, the Master Fund may be unable to access sources of leverage.

No Separate Legal Counsel. Kleinberg, Kaplan, Wolff, & Cohen P.C. ("**KKWC**") acts as legal counsel to the Partnership, the General Partner, the Investment Manager and their affiliates. The Partnership does not have legal counsel separate and independent from legal

counsel to the Investment Manager and the General Partner. KKWC does not represent investors in the Partnership, and no independent counsel has been retained to represent investors in the Partnership.

KKWC's representation of the Partnership, the General Partner, the Investment Manager and their respective affiliates is limited to specific matters as to which it has been consulted by the General Partner and/or the Investment Manager. There may exist other matters that could have a bearing on the Partnership as to which it has not been consulted. In addition, KKWC does not undertake (nor does it intend) to monitor the compliance of the General Partner, the Investment Manager and their respective affiliates with the investment program, valuation procedures and other guidelines set forth in this Memorandum, nor does it monitor compliance with applicable laws. In preparing this Memorandum, KKWC relied upon information furnished to it by the General Partner, the Investment Manager and/or their respective principals, and did not investigate or verify the accuracy and completeness of information set forth herein.

OTHER ACTIVITIES OF THE GENERAL PARTNER, INVESTMENT MANAGER; CONFLICTS OF INTEREST

Conflicts exist and may arise between the interests of the Investment Manager and the General Partner, and those of the Limited Partners.

Other Business Relationships of the Investment Manager and the General Partner

Each of the Investment Manager, the General Partner and their affiliates devotes as much of its time and resources to the activities of the Partnership as it deems necessary and appropriate. The Investment Manager, the General Partner and their affiliates are not restricted from entering into other investment advisory relationships or engaging in other business activities, even though such activities may be in competition with the Partnership and/or may involve substantial amounts of the Investment Manager's, the General Partner's or the affiliates' time and resources. The principal(s) of the Investment Manager may from time to time hold direct or indirect ownership interests in one or more other investment management companies, including those that share resources with the Investment Manager and/or co-invest with the Investment Manager. The Investment Manager and its affiliates provide investment advisory services to other private investment funds and/or managed accounts ("**Other Accounts**"), including the Hybrid Fund, which employ investment programs and strategies substantially similar to the Partnership, and which may compete with the Partnership for investments and Portfolio Managers. The Investment Manager and its affiliates may also establish additional Other Accounts, and engage in other business activities, in the future. These activities could be viewed as creating a conflict of interest in that neither the Investment Manager, the General Partner nor their respective affiliates is exclusively devoting its resources to the business of the Partnership but must allocate such resources between that business and other activities. Other Accounts could have compensation and profit sharing arrangements that differ from those provided in the Investment Management Agreement and the Limited Partnership Agreement which may create incentives that could affect the Investment Manager's and/or the General Partner's decisions as to how to allocate time, resources and investment opportunities.

The Investment Manager, in its discretion, may also cause the Partnership to buy and/or sell investments directly from/to one or more Other Accounts, subject to compliance with applicable law.

The Investment Manager, the General Partner and their respective affiliates may invest and trade for their own accounts, as well as the Other Accounts, in the same capacity as the Partnership and in the same investments as the Partnership. The Investment Manager, the General Partner and their respective affiliates may also initiate transactions, trade more or less frequently for their own accounts or the Other Accounts, and trade and invest in certain investments without doing the same for the Partnership. Although the Investment Manager, the General Partner and their respective affiliates may engage in other activities which may, in some cases, provide an indirect benefit to the Partnership, in other cases such activities may create conflicts of interest with the Partnership.

Other Business Relationships of the Portfolio Managers

Each of the Portfolio Managers devotes as much of its time and resources to the activities of the Partnership as it deems necessary and appropriate and in accordance with the terms of its offering document, operating agreement or advisory agreement, as applicable. Certain of the Portfolio Managers are not restricted from entering into other investment advisory relationships or engaging in other business activities, even though such activities may be in competition with the Partnership and/or may involve substantial amounts of such Portfolio Manager's time and resources. These activities could be viewed as creating a conflict of interest in that the Portfolio Manager is not exclusively devoting its resources to the business of the Partnership but must allocate such resources between that business and other activities. Other investment accounts managed by a Portfolio Manager could have compensation and profit sharing arrangements that differ from those provided in its agreement with the Partnership which may create incentives that could affect the Portfolio Manager's decisions as to how to allocate time, resources and investment opportunities.

Transaction Execution and Investment Opportunities

Conflicts of interest could also arise in connection with transactions for the accounts of the Partnership, other investment vehicles in which the Investment Manager or its affiliates are involved, and any other advisory clients of the Investment Manager. These transactions could differ in substance, timing and amount, due to, among other things, differences in investment objectives or other factors affecting the appropriateness or suitability of particular investment activities to the Partnership or other clients, or to limitations on the availability of particular investment or transactional opportunities. The Investment Manager will allocate transactions and opportunities among the Partnership and the Other Accounts in a manner it believes to be as equitable as reasonably practicable, considering each account's objectives, programs, limitations and capital available for investment, but all accounts may not necessarily invest in the same opportunities. Furthermore, neither the Investment Manager nor its affiliates has any obligation to provide the Partnership with any particular investment opportunity or to refrain from taking advantage of an investment opportunity that could be beneficial to the Partnership.

To the extent legally permissible, orders may be combined for the Partnership and all other funds and accounts managed by the Investment Manager and its affiliates, and if any order is not filled at a single price, the order may be allocated among such funds and accounts on an average price basis.

Valuation

The General Partner has discretion in determining the value of certain of the Partnership's investments. While the value of most marketable securities is based on prices reported in the public markets, at times, the size of a block of securities held by the Partnership or temporary restrictions on resale may justify imposing a discount on the market-determined value. Whether and how much to reduce the value of such securities in any of these circumstances is subject to the General Partner's sole discretion. In addition, a portion of the Partnership's assets may be invested in restricted securities. To the extent that the Partnership makes such investments, the value of those investments will be determined in the General Partner's sole discretion.

The General Partner will face a conflict of interest in making any of these valuation decisions, as the Incentive Allocation allocable to the General Partner is based directly on the net asset value of the Partnership.

Master-Feeder Fund

The General Partner, in its discretion, may at any time convert the Partnership into a "feeder fund" in a master-feeder fund structure whereby the Partnership's investment program will be carried out by an master fund (likely to be an offshore vehicle) in which the Partnership is an equity holder. In such event, the Partnership will bear its pro rata share of such master fund's expenses.

BROKERAGE COMMISSIONS; TURNOVER

In selecting brokers to effect portfolio transactions for the Partnership, the Investment Manager and the Portfolio Managers will consider such factors as price, the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility and the provision or payment (or the rebate to the Partnership for payment) of the costs of property or services (*e.g.*, short term custodial services, research services, news and quotation services, certain publications and other brokerage and research products and services). Accordingly, if the Investment Manager or a Portfolio Manager determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, the Partnership may pay commissions to such broker in an amount greater than the amount another broker might charge.

The use of commission or "soft" dollars to pay for research products or services falls within the safe harbor for soft dollars created by Section 28(e) of the Securities Exchange Act of 1934, as amended. Under Section 28(e), research obtained with soft dollars generated by the Partnership may be used by the Investment Manager or a Portfolio Manager to service accounts other than the Partnership. Generally, where a product or service obtained with commission dollars provides both research and non-research assistance to the Investment Manager or a

Portfolio Manager, the Investment Manager or the Portfolio Manager, as applicable, will make a reasonable allocation of the cost which may be paid for with Partnership commission dollars. The Investment Manager intends to use soft dollars only within the safe harbor created by Section 28(e). Portfolio Managers may on occasion use soft dollars outside of the safe harbor created by Section 28(e).

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above. A broker is not excluded from receiving business because it has not been identified as providing research services. The trading information received from various brokers may be used by the Investment Manager or a Portfolio Manager in servicing all its accounts and not all such information may be used by the Investment Manager or a Portfolio Manager in connection with the Partnership.

The Investment Manager may also direct brokerage commissions on purchases or sales of securities to broker-dealers who advance the sale of Partnership interests, consistent with best execution.

The initial prime broker for the Partnership will be UBS Securities LLC. The General Partner may add additional prime brokers and/or replace one or more prime brokers from time to time in its discretion without notice to the Limited Partners.

PARTNERSHIP POLICIES; COMPARISON TO REGISTERED INVESTMENT COMPANIES

The Partnership is not and will not seek to be registered as an investment company under the 1940 Act. The Partnership will not be an investment company for purposes of the 1940 Act as it intends to qualify for the exemption from the definition of an investment company provided by Section 3(c)(7) of the 1940 Act requiring that Interests be beneficially owned only by qualified purchasers and certain other specified persons and that a public offering of Interests not be made. Nevertheless, for purposes of discussion, the Partnership may be compared with an investment company.

Registered investment companies are required, under applicable SEC forms relating to the registration of their shares, to state definite policies with respect to certain enumerated types of activities, some of which may not be changed without shareholder approval.[3] The following discussion summarizes the Partnership's current policies with respect to such activities, but it is important to note that changes in the Partnership's policies set forth below may be made by the General Partner, without the consent of the Limited Partners, to the extent consistent with the Limited Partnership Agreement. (See "*Investment Program*" and "*Certain Risk Factors*.")

The type of securities and instruments in which the Partnership may trade. The Limited Partnership Agreement authorizes the Partnership to trade in all types of securities and other

[3] Such policies are considered to be "fundamental" policies with respect to security investments (*i.e.*, policies which the registered investment company deems to be fundamental or policies which may not be changed without the approval of a majority of the registered investment company's shareholders).

financial instruments of U.S. and foreign issuers (including other private investment vehicles), whether or not publicly traded, and to sell securities short. The term "securities and instruments," as used herein, is given its broadest possible meaning and includes interests commonly referred to as securities, including but not limited to, bonds, debentures, notes, preferred or preference stock, common stock, rights, units, certificates of beneficial interest, warrants, partnership interests, limited liability company interests, interests in real estate, exchange traded funds, loan participations and assignments, joint ventures, accounts and notes receivable and payable held by trade or other creditors, contract and other claims, executory contracts, voting trust certificates or government obligations and other obligations, instruments or evidences of indebtedness and other property or interests of whatever kind or nature of any person, corporation, government or entity whatsoever, foreign or domestic, commodities, currency, futures, options, whether written or purchased by the Partnership, other derivative instruments including swaps and any investment which hedges any item described above. The Partnership is also permitted to sell securities short and cover such sales and to lend funds or properties of the Partnership, either with or without security.

The issuance of senior securities. The Partnership may issue senior securities, and without limitation, will do so to the extent that it may be deemed to do so because it engages in short selling, option writing, repurchase transactions or borrowings collateralized by specific private claims.

Debt Instruments. The Partnership may purchase publicly and non-publicly offered debt instruments of any issuer. It may engage in debtor-in-possession financing, funding plans or reorganization and other forms of debt. The Partnership may lend portfolio securities to brokers, dealers and financial institutions by engaging in repurchase transactions or otherwise. In the event the Partnership does lend portfolio securities, the Partnership will generally require the borrower to deposit cash or United States Government securities equal to one hundred percent (100%) of the market value of the securities loaned, other than when the Partnership's securities are lent out by its prime broker.

Policy with respect to portfolio turnover. The Partnership has adopted no policy with respect to portfolio turnover. As indicated above, from time to time its portfolio turnover may exceed the portfolio turnover of other types of investment vehicles since the Partnership's trading strategies include active trading of the portfolio.

Investment in companies for the purpose of exercising control of management. The Partnership may, under circumstances deemed appropriate by the Investment Manager, invest Partnership assets in companies for the purpose of exercising control over such companies, although the Investment Manager does not presently intend to do so.

The purchase and sale of real estate. The Partnership is permitted to purchase or sell interests in real estate, including securities of real estate investment trusts and like entities whose assets consist substantially of equity interests in real property or mortgages and other liens on or interests in real property.

OUTLINE OF LIMITED PARTNERSHIP AGREEMENT

The following outline summarizes the material provisions of the Limited Partnership Agreement that are not discussed elsewhere in this Memorandum. This outline is not definitive, and each prospective Limited Partner should carefully read the Limited Partnership Agreement, annexed hereto as Exhibit A, in its entirety.

Limited Liability. A Limited Partner is liable for debts and obligations of the Partnership only to the extent of his Interest in the Partnership in the fiscal year (or portion thereof) to which such debts and obligations are attributable. In order to meet a particular debt or obligation, a Limited Partner or former Limited Partner will, in the discretion of the General Partner, be required to make additional contributions or payments up to, but in no event in excess of, the aggregate amount of returns of capital and other amounts actually received by him from the Partnership during or after the fiscal year to which such debt or obligation is attributable.

Term. The Partnership will have a perpetual life, unless a determination is made by the General Partner that the Partnership should be dissolved. The General Partner may elect to dissolve the Partnership at any time in its discretion.

Capital Accounts. Upon admission to the Partnership, each Partner will have a Capital Account established on the books of the Partnership. Each capital contribution made by a Partner shall be deemed to generate a separate Capital Account. At the end of each accounting period, each Partner's Capital Account will be (i) increased or decreased by its share of any net capital appreciation or depreciation for such accounting period (determined after taking all Partnership expenses into account); and (ii) decreased by any withdrawals made by, or distributions made from, such Capital Account as of the end of such accounting period. At the end of each fiscal year, each Capital Account will be adjusted by any net capital appreciation which is not allocated to the General Partner as an Incentive Allocation. (See "*Allocation of Gains and Losses; New Issues*.")

A partnership percentage will be determined for each Capital Account for each accounting period, by dividing such Capital Account as of the beginning of such accounting period by the aggregate value of all Capital Accounts as of the beginning of such accounting period ("**Partnership Percentage**").

Additional Capital Contributions. With the prior approval of the General Partner, Limited Partners may make additional capital contributions to the Partnership as of the first day of any calendar month in an amount of at least $100,000, subject to the discretion of the General Partner to accept lesser amounts or to accept contributions at other times. The General Partner may, in its discretion, decline to accept any additional contributions for any reason.

Management. The management of the Partnership is vested exclusively in the General Partner and the Investment Manager. The Limited Partners will have no part in the management of the Partnership and will have no authority or right to act on behalf of the Partnership in connection with any matter. The General Partner, and its principals, affiliates, members, managers and officers, may engage in any other business venture, whether or not such business

is similar to the business of the Partnership, and neither the Partnership nor any Limited Partner will have any rights in or to such ventures or the income or profits derived therefrom.

Valuation of Partnership Assets. The Partnership's securities and other assets will be valued by the General Partner in accordance with the terms of the Limited Partnership Agreement and in accordance with GAAP. If market quotations are not readily available for certain securities and/or assets held by the Partnership, the valuation of such securities and assets will be determined by the General Partner in its discretion. All matters concerning valuation of securities, allocations among the Partners and accounting procedures, not expressly provided for in the Limited Partnership Agreement, may be determined by the General Partner, whose determination is final and conclusive as to all Partners. The General Partner may, from time to time, also establish or abolish reserves for estimated or accrued expenses and for unknown or contingent liabilities (whether or not required by GAAP).

Withdrawals. Subject to the conditions described below, a Limited Partner may make a withdrawal of capital from his Capital Account as of the last day of any calendar quarter (a "**Withdrawal Date**"); provided that if a Limited Partner withdraws any capital from a Capital Account prior to the day immediately preceding the one (1) year anniversary of the contribution of such capital to the Partnership, such withdrawal will be subject to an early withdrawal charge for the benefit of the Partnership equal to four percent (4%) of the net asset value of the capital being withdrawn (the "**Early Withdrawal Charge**"). Withdrawals will be deemed made on a first-in, first-out basis for this purpose.

Investor Gate

A Limited Partner may withdraw only up to fifty percent (50%) of the value of his Capital Account as of any Withdrawal Date (such limitation, the "**Investor Gate**" and the amount permitted to be withdrawn pursuant to the Investor Gate, the "**Maximum Amount**"), unless such Investor Gate is waived by the General Partner, in its discretion. If a Limited Partner submits a request to withdraw more than the Maximum Amount as of a single Withdrawal Date (such date, the "**Gated Withdrawal Date**"), capital will be withdrawn from the Partnership without any further action required of such Limited Partner (including any gains or losses thereon) as follows:

(a) First, as of the Gated Withdrawal Date, the Limited Partner will be deemed to have withdrawn capital from his Capital Account equal to the Maximum Amount; and

(b) Second, as of the Withdrawal Date immediately following the Gated Withdrawal Date, the Limited Partner will be deemed to have withdrawn capital from his Capital Account equal to the amount requested to be withdrawn on the Gated Withdrawal Date but not satisfied as a result of the Investor Gate.

Capital not withdrawn as a result of the Investor Gate will remain invested in the Partnership and will increase or decrease based upon the performance of the Partnership until the effective date of the withdrawal of such capital.

Impaired Withdrawals

If the General Partner determines that the liquidity in the Partnership's investment portfolio is impaired as of a Withdrawal Date (an "**Impaired Withdrawal Date**"), the General Partner may require each Limited Partner making a withdrawal of ninety percent (90%) or more of his Capital Accounts as of such date (a "**Designated Limited Partner**") to retain his pro rata interest in any investments that the Investment Manager believes cannot be liquidated at such time without undue cost to the non-withdrawing Limited Partners ("**Designated Investments**"). Designated Limited Partners will retain such interests until the Investment Manager liquidates the applicable Designated Investments in the ordinary course of business (an "**Impaired Withdrawal Period**"), or such earlier date as of which the General Partner, in its discretion, elects to terminate the Impaired Withdrawal Period. A Limited Partner will be not required to maintain an interest in Designated Investments that have a value as of such Impaired Withdrawal Date of more than ten percent (10%) of the total net asset value of such Limited Partner's Capital Accounts as of such date.

The Incentive Allocation, if any, due to the General Partner with respect to a Designated Limited Partner on an Impaired Withdrawal Date (but not on any other date or with respect to any other Limited Partner) shall be calculated as if the Designated Investments were deemed to have no value as of such date.

During an Impaired Withdrawal Period, a Designated Limited Partner's interest in any Designated Investments will increase or decrease based upon the performance of such Designated Investments. A Designated Limited Partner will receive distributions from the Partnership promptly following the liquidation of each applicable Designated Investment, net of any expenses. Management Fees will accrue on the Designated Investments during an Impaired Withdrawal Period, but will not be payable with respect to a Designated Limited Partner until he has received distributions from Designated Investments that exceed any applicable unrecovered Loss Recovery Account balance that existed as of the Illiquid Redemption Date. An Incentive Allocation shall also be due with respect to all such distributions to the extent they exceed any applicable unrecovered Loss Recovery Account balance that existed as of the Illiquid Redemption Date.

The General Partner and the Investment Manager shall not withdraw any capital from the Partnership during an Impaired Withdrawal Period other than amounts necessary to pay taxes and employee and consultant compensation amounts.

Withdrawal Notice

A Limited Partner must provide irrevocable written notice to the General Partner of his desire to make a withdrawal as of a Withdrawal Date at least forty-five (45) days prior to such Withdrawal Date. The above notice period may be waived in whole or in part by the General Partner in its discretion with respect to one or more Limited Partners. After receiving a withdrawal notice from a Limited Partner, the Partnership may, upon at least 24 hours' notice to the Limited Partner (via email or otherwise), effect such withdrawal and pay all or a portion of the withdrawal proceeds at any time prior to the anticipated Withdrawal Date. In addition, the General Partner, in its discretion, may permit a Limited Partner to make a withdrawal from his

Capital Account on a date that is not a Withdrawal Date without notice to, or the consent of, the other Limited Partners. The General Partner and its affiliates may withdraw capital from their Capital Accounts at any time, without notice to the Limited Partners.

The right of any Partner to receive amounts withdrawn (whether voluntary or involuntarily) is subject to the provision by the General Partner for all Partnership liabilities in accordance with Delaware law and for reserves for contingencies and estimated accrued expenses, including reserves for unspecified contingencies even though not required by GAAP.

Payment of Amounts Withdrawn. Subject to the Investor Gate and the Impaired Withdrawal Date procedures described above, a Limited Partner withdrawing amounts from his Capital Account will generally be paid the amount withdrawn, net of any Incentive Allocation, Early Withdrawal Charges and accrued expenses through the Withdrawal Date, within thirty (30) days after the applicable Withdrawal Date; provided, that a Limited Partner withdrawing ninety percent (90%) or more of his Capital Accounts will be subject to a holdback of up to ten percent (10%) of the amount requested to be withdrawn as of such Withdrawal Date (regardless of whether such requested withdrawal amount is reduced due to the application of the Investor Gate), to be settled without interest no later than thirty (30) days after completion of the audit of the Partnership's books for the year in which such withdrawal took place.

The right of any Limited Partner to receive amounts withdrawn is subject to a holdback for the provision by the General Partner for all Partnership liabilities and reserves for contingencies whether or not required by GAAP. (See "*Outline of Limited Partnership Agreement*.") The General Partner, in its sole discretion, may distribute securities or other property of the Partnership selected by the General Partner in its discretion, in lieu of, or in addition to, cash in satisfaction of withdrawal requests. Such securities or other property need not represent a pro rata portion of each position held by the Partnership. A distribution in respect of a voluntary or required withdrawal may be made in cash and/or in kind. (See "*Certain Risk Factors - In-Kind Distributions*.")

Any of the foregoing conditions related to withdrawals may be waived by the General Partner as to one or more Limited Partners, at the General Partner's discretion.

Required Withdrawals. The General Partner may require any Limited Partner to withdraw in whole or in part from the Partnership at any time and for any reason upon at least two (2) days' prior written notice (which may be given to such Limited Partner by e-mail or otherwise). In such event, a withdrawing Limited Partner will be paid an amount equal to at least ninety percent (90%) of the amount that he is being required to withdraw, net of any Incentive Allocation and any accrued expenses through the withdrawal date, within thirty (30) days after the Withdrawal Date, with the balance settled without interest no later than thirty (30) days after completion of the audit of the Partnership's books for the year in which such required withdrawal took place. A Limited Partner who is required to withdraw all or any capital from his Capital Account will not be subject to any otherwise applicable Early Withdrawal Charges with respect to such withdrawal. The right of any Limited Partner to receive amounts with respect to a required withdrawal is subject to a holdback for the provision by the General Partner for all Partnership liabilities and reserves for contingencies (whether or not required by GAAP).

Suspension of Withdrawals. The General Partner may suspend the right of any Limited Partner to withdraw capital from the Partnership or to receive a distribution from the Partnership upon the occurrence of any of the following circumstances:

(a) when any such withdrawal or distribution would result in a violation by the Partnership, the General Partner or the Investment Manager of the securities or commodity laws of the United States or any other jurisdiction or the rules of any self-regulatory organization applicable to the Partnership, the General Partner or the Investment Manager;

(b) when any securities exchange or organized interdealer market on which a significant portion of the Partnership's portfolio securities or other assets is regularly traded or quoted is closed (other than for holidays) or trading thereon has been suspended or restricted;

(c) when there exists any state of affairs as a result of which (i) disposal of a substantial part of the investments of the Partnership would not be reasonably practicable and might seriously prejudice the Partners or (ii) it is not reasonably practicable for the General Partner fairly to determine the value of the Partnership's net assets;

(d) when any event has occurred which calls for the termination of the Partnership; or

(e) when the General Partner determines that such suspension is in the best interests of the Partnership and the Limited Partners taken as a whole.

Notice of any suspension will be given to any Limited Partner who has submitted a withdrawal request and to whom full payment of the withdrawal proceeds has not yet been remitted. If a withdrawal request is not rescinded by a Limited Partner following notification of a suspension, the withdrawal will generally be effected as of the last day of the calendar quarter in which the suspension is lifted, on the basis of the net asset value of the Partnership's assets at that time.

Death, Disability, *etc.* of a Limited Partner. In the event of the death, disability, incapacity, incompetency, termination, bankruptcy, insolvency or dissolution of a Limited Partner, the Interest of such Limited Partner in the Partnership will continue at the risk of the Partnership business, unless and until the Interest is redeemed, whether voluntarily or involuntarily.

Assignability of Limited Partner's Interest. A Limited Partner may not assign his Interest in the Partnership in whole or in part, except by operation of law, nor substitute any other person as a Limited Partner, without the prior written consent of the General Partner, which may be withheld in its discretion.

Assignability of General Partner's Interest. The General Partner shall have the right to assign its interest in the Partnership to one or more other entities provided that any assignee is under common "control" (as such term is defined in the federal securities laws) with the General Partner.

Admission of New Partners. New Partners, including general partners, may be admitted to the Partnership at such times as the General Partner determines in its discretion. Each new

Partner will be required to execute an agreement pursuant to which it becomes bound by the terms of the Limited Partnership Agreement.

Amendments to Limited Partnership Agreement. The Limited Partnership Agreement may be modified or amended at any time by the consent of the Partners having in excess of fifty percent (50%) of the Partnership Percentages of the Limited Partners together with the written consent of the General Partner. Without the consent of the other Partners, however, the General Partner may amend the Limited Partnership Agreement to reflect changes validly made in the membership of the Partnership and the capital contributions and Partnership Percentages of the Partners; qualify the Partnership as a limited partnership in all jurisdictions in which the Partnership conducts business; change the provisions relating to the Incentive Allocation so that such provisions conform to any applicable requirements of the SEC, the Internal Revenue Service and other regulatory authorities; satisfy requirements or conditions contained in opinions or rulings of federal or state agencies or in federal or state statutes where compliance is in the best interest of the Partnership; change the name of the Partnership; and effect any change that does not adversely affect the Limited Partners in any material respect, or that is necessary or desirable to cure ambiguities in the Limited Partnership Agreement. Each Partner, however, has the right to approve any amendment which would (a) reduce his Capital Account or rights of withdrawal therefrom; (b) increase the Incentive Allocation from his Capital Account; or (c) amend the provisions of the Limited Partnership Agreement relating to amendments.

Reports to Partners. The Partnership's independent accountants (selected by the General Partner) audit the Partnership's financial statements as of the end of each fiscal year. Initially, the Partnership's auditors will be Rothstein, Kass & Company, P.C. The General Partner may change the Partnership's accountants from time to time in its discretion without notice to the Limited Partners.

Within one hundred twenty (120) days after the end of the fiscal year, or as soon thereafter as is practicable, the General Partner will mail or cause to be mailed to each Partner audited financial statements of the Partnership, including a statement of financial condition and annual U.S. federal income tax information. The Partnership also provides periodic, unaudited account performance reports, no less frequently than monthly, to the Limited Partners. The General Partner may elect to have the first audit of the Partnership's financial statements to be performed as of December 31, 2013, with such audit covering the period from the commencement of the Partnership's operations through such date.

Exculpation. The Limited Partnership Agreement provides that the General Partner will not be liable to the Limited Partners or the Partnership for any loss, damage, liability or expense except as caused by its bad faith, gross negligence or willful misconduct. The General Partner will not be liable for any act or omission of its agents (including securities broker-dealers) who were selected, retained or engaged by the General Partner with reasonable care. The Investment Management Agreement contains substantially identical terms with respect to the Investment Manager.

Investors should note, however, that certain claims of investors may not be able to be waived (or are not indemnifiable) under applicable law, including without limitation, certain

claims arising under the Advisers Act, fraud claims, claims arising out of any material misstatements or omissions contained in this Memorandum and certain state law claims.

Indemnification. The Limited Partnership Agreement provides that the Partnership is to indemnify the General Partner, and any employee, principal, officer, member, manager or agent of the General Partner, to the fullest extent permitted by law against expenses, including attorney's fees, judgments and amounts paid in settlement actually and reasonably incurred by such indemnified person in connection with any claim, action, suit or proceeding, provided that such losses or expenses resulted from action or inaction taken in good faith and without gross negligence or willful misconduct. The Partnership shall, at the request of the General Partner, advance amounts and/or pay expenses as incurred in connection with the indemnification obligation. The Investment Management Agreement contains substantially identical obligations with respect to the Investment Manager.

INCOME TAX ASPECTS

Introduction

The following is a summary of certain material aspects of the U.S. federal income taxation of the Partnership and its Partners which should be considered by a potential purchaser of an Interest in the Partnership. A complete discussion of all tax aspects of an investment in the Partnership is beyond the scope of this Memorandum. The following summary is only intended to identify and discuss certain salient tax issues. This summary of certain tax considerations applicable to the Partnership is considered to be a correct interpretation of existing laws and regulations in force on the date of this Memorandum. No assurance can be given that changes in existing laws or regulations or in their interpretation will not occur after the date of this Memorandum or that such changes will not be applied retroactively.

This summary generally only discusses tax aspects that are applicable to individuals who are residents of the United States. This summary does not discuss tax considerations that may be applicable to other types of persons. In particular, this summary does not discuss tax considerations that may be applicable to foreign persons or to tax-exempt persons.

IRS Circular 230 Notice. To ensure compliance with requirements imposed by IRS Circular 230, prospective investors are informed that (A) any U.S. federal tax advice contained in this Memorandum is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code, (B) any such discussion herein is written in connection with the promotion or marketing (within the meaning of Circular 230) of the offering addressed herein, and (C) each prospective investor should consult with his own tax advisor concerning his particular circumstances.

In view of the complexities of U.S. federal and other income tax laws applicable to partnerships and securities transactions, a prospective investor is urged to consult with and rely solely upon his tax advisors to understand fully the federal, state, local and foreign tax consequences to that investor of such an investment based on that investor's particular facts and circumstances.

Classification of the Partnership

Under the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), and the Treasury Regulations promulgated thereunder (the "**Regulations**"), as in effect on the date of this Memorandum, including the "check the box" entity classification Regulations, so long as the Partnership complies with the Limited Partnership Agreement, the Partnership should be classified for U.S. federal income tax purposes as a partnership and not as an association taxable as a corporation. If it were determined that the Partnership should be classified as an association taxable as a corporation (as a result of changed interpretations or administrative positions by the Internal Revenue Service (the "**Service**") or otherwise), the taxable income of the Partnership would be subject to corporate income taxation when recognized by the Partnership, and distributions from the Partnership to the Partners, other than in certain redemptions of Interests in the Partnership, would be treated as dividend income when received by the Partners to the extent of the current or accumulated earnings and profits of the Partnership.

Even with the "check the box" Regulations, certain partnerships may be taxable as corporations for U.S. federal income tax purposes under the publicly traded partnership ("**PTP**") rules set forth in the Code and the Regulations. Interests in the Partnership will not be traded on an established securities market and will be offered only in transactions that are not required to be registered under the Securities Act. Under the private placement safe harbor set forth in the PTP Regulations, Interests in the Partnership will not be considered to be readily tradable on a secondary market or the substantial equivalent of a secondary market and thus the Partnership will not be classified as a PTP if:

all Interests in the Partnership are issued in a transaction (or transactions) that is not required to be registered under the Securities Act; and

the Partnership does not have more than 100 partners at any time during the taxable year of the Partnership (counting each beneficial owner of a partnership, grantor trust or S corporation (a "flow-through entity") as a partner if substantially all of the value of such owner's interest in the flow-through entity is attributable to the flow-through entity's interest (direct or indirect) in the Partnership and a "principal purpose" of the use of a tiered arrangement is to permit the Partnership to satisfy the above-mentioned 100-partner limitation).

In the event that the Partnership has more than 100 partners it will not satisfy the 100-partner safe harbor. The Partnership believes that, even if it does not satisfy a safe harbor, it would not be determined to be publicly traded under a facts and circumstances test and that even it were determined that the Partnership was a publicly traded partnership, the Partnership might be entitled to rely upon an exemption from treatment as a corporation for federal income tax purposes if 90% or more of the Partnership's gross income consisted of passive type "qualifying income." There can be no assurance, however, that the Partnership will be able to meet the conditions of an exemption.

It is assumed in the following discussion of tax considerations that the Partnership will be taxed as a partnership for U.S. federal income tax purposes.

Taxation of Partnership Operations

As a partnership, the Partnership is not itself subject to U.S. federal income tax but is required to file an annual partnership information return with the Service. Each Limited Partner is required to report separately on his income tax return his distributive share of the Partnership's net long-term and short-term capital gains or losses, ordinary income or loss, deductions and credits. The Partnership may utilize a variety of trading strategies which produce short-term and long-term capital gains (or losses), as well as ordinary income (or loss). As promptly as practicable after the end of each year, the Partnership will send annually to each Limited Partner a form showing his distributive share of the Partnership's items of income, gains, losses, deductions and credits.

A Limited Partner will be required to take such items of income and loss into account in the taxable year of the Limited Partner in which or with which the taxable year of the Partnership ends. Each Limited Partner will be subject to tax, and liable for such tax, on his distributive share of the Partnership's taxable income regardless of whether the Limited Partner has received or will receive any distribution of cash from the Partnership. Thus, in any particular year, a Limited Partner's distributive share of taxable income from the Partnership (and, possibly, the taxes imposed on that income) could exceed the amount of cash, if any, such Limited Partner receives or is entitled to withdraw from the Partnership.

Under Section 704 of the Code, a Limited Partner's distributive share of any Partnership item of income, gain, loss, deduction or credit is governed by the Limited Partnership Agreement unless the allocations provided by the Limited Partnership Agreement do not have "substantial economic effect." The Regulations promulgated under Section 704(b) of the Code provide certain "safe harbors" with respect to allocations which, under the Regulations, will be deemed to have substantial economic effect. The validity of an allocation which does not satisfy any of the "safe harbors" of these Regulations is determined by taking into account all facts and circumstances relating to the economic arrangements among the partners. While no assurance can be given, it is intended that the allocations provided by the Limited Partnership Agreement should have substantial economic effect. However, if it were determined by the Service or otherwise that the allocations provided in the Limited Partnership Agreement with respect to a particular item (or items) do not have substantial economic effect, each Limited Partner's distributive share of that item (or items) would be determined for tax purposes in accordance with that Limited Partner's interest in the Partnership, taking into account all facts and circumstances.

Cash distributions and withdrawals, to the extent they do not exceed a Limited Partner's basis in his interest in the Partnership, should not result in taxable income to that Limited Partner, but will reduce the Limited Partner's tax basis in the Partnership interest by the amount distributed or withdrawn. Cash distributed to a Limited Partner in excess of the basis in his Partnership interest is generally taxable as capital gain, but may be ordinary income in certain circumstances. A distribution of property other than cash generally will not result in taxable income or loss to the Limited Partner to whom it is distributed.

The Limited Partnership Agreement provides that the General Partner may specially allocate items of Partnership income (or loss) to a Partner who makes a full or partial withdrawal

from his Capital Account to the extent such Capital Account would otherwise exceed (or be less than) his adjusted tax basis in his Interest. Such a special allocation may result in the withdrawing Partner recognizing income, which may include short-term capital gain and ordinary income, in a taxable year in which a withdrawal occurs, thereby potentially reducing the amount of long-term capital gain recognized during the tax year in which he receives a distribution upon withdrawal. If the General Partner causes such a special allocation to be made, the Service might not accept such allocation for tax purposes; if the allocation is successfully challenged by the Service, the Partnership's income or losses allocable to the remaining Partners would be increased.

For financial statement presentation and capital account maintenance purposes, all securities held by the Partnership will be marked to market at the end of each accounting period and the net gain or loss from marking to market will be reported as income or loss. This treatment is inconsistent with the general tax rule applicable to many securities transactions that a transaction does not result in gain or loss until it is closed by an actual sale or other disposition. The divergence between such accounting and tax treatment frequently may result in substantial variation between financial statement income (or loss) and taxable income (or loss) reported by the Partnership.

Tax shelter reporting Regulations may require the Partnership and/or the Partners to file certain disclosures with the Service with respect to certain transactions engaged in by the Partnership or with respect to certain redemptions of Interests in the Partnership. The Partnership does not consider itself, nor should it be considered, a tax shelter, but if the Partnership were to have a substantial loss on certain transactions, such loss may be subject to the tax shelter reporting requirements even if such transactions were not considered tax shelters. The Partnership intends to provide disclosure information, to the extent required, with the annual tax information provided to the Partners.

Taxation of Partnership Interests - Limitations on Losses and Deductions

The Code provides several limitations on a Limited Partner's ability to deduct his share of Partnership losses and deductions. Certain of these limitations, such as the "passive activity loss" rules, likely will not be applicable to the Partnership's operations. To the extent that the Partnership has interest expense, a noncorporate Limited Partner will be subject to the "investment interest expense" limitations of Section 163(d). Investment interest expense is interest paid or accrued on indebtedness incurred or continued to purchase or carry property held for investment. The deduction for investment interest expense is limited to net investment income, which is the excess of investment income over investment expenses and is determined at the partner level. Excess investment interest expense that is disallowed under these rules is not lost permanently, but may be carried forward to succeeding years subject to the Section 163(d) limitations. Net long-term capital gains on property held for investment and qualified dividend income (i.e., dividend income which qualifies for the 15% tax bracket) are only included in investment income to the extent the taxpayer elects to subject such income to taxation at ordinary rates. If the Partnership is considered a trader in securities, which is a question of fact that depends on future activities and may vary from year to year, investment interest expense deductible by noncorporate Limited Partners under the above rules would be deductible above

the line on Schedule E as a partnership expense, based on current IRS instructions, rather than on Schedule A as an itemized deduction.

Section 265(a)(2) of the Code disallows any deduction for interest paid by a taxpayer on indebtedness incurred or continued for the purpose of purchasing or carrying tax-exempt obligations. The Service has announced that such purpose will be deemed to exist with respect to indebtedness incurred to finance a "portfolio investment," and that a limited partnership interest will be regarded as a "portfolio investment." Therefore, in the case of a Limited Partner owning tax-exempt obligations, the Service might take the position that all or a part of the interest paid by such Limited Partner in connection with the purchase of his Partnership Interest should be viewed as incurred to enable such Limited Partner to continue carrying tax-exempt obligations, and that such Limited Partner should not be allowed to deduct all or a portion of such interest.

Under Section 67 of the Code, for noncorporate Limited Partners certain miscellaneous itemized deductions are allowable only to the extent they in the aggregate exceed a "floor" amount equal to 2% of adjusted gross income. If the Partnership's activities of trading securities constitute a trade or business for federal income tax purposes (i.e., buying and selling securities for short-term profits), Section 67 limitations would generally not be applicable to noncorporate Limited Partners. If or to the extent that the Partnership's operations do not constitute a trade or business within the meaning of Section 162 and other provisions of the Code, a noncorporate Limited Partner's distributive share of the Partnership's investment expenses, other than investment interest expense, would be deductible only as miscellaneous itemized deductions, subject to such 2% floor. Also, if or to the extent that the Partnership's operations do not constitute a trade or business, and all or a portion of the Incentive Allocation to the General Partner is recharacterized for tax purposes as an expense of the Partnership, each noncorporate Limited Partner's share of such expense may be subject to such 2% floor. In addition, the Code further restricts the ability of an individual with an adjusted gross income in excess of a specified threshold amount to deduct such itemized deductions. Under such provision, investment expenses in excess of 2% of adjusted gross income may only be deducted to the extent such excess expenses (along with certain other itemized deductions not including investment interest expense) exceed the lesser of (i) 3% of the excess of the individual's adjusted gross income over the specified amount or (ii) 80% of the amount of certain itemized deductions otherwise allowable for the taxable year. This limitation was phased out over a five-year period which ended in 2010 but is scheduled to re-apply in full in 2013. Also, such investment expenses are miscellaneous itemized deductions which are not deductible by an individual taxpayer in calculating his alternative minimum tax liability.

Capital losses generally may be deducted only to the extent of capital gains, except for noncorporate taxpayers who are allowed to deduct $3,000 of excess capital losses per year against ordinary income. Corporate taxpayers may carry back unused capital losses for three years and may carry forward such losses for five years; noncorporate taxpayers may not carry back unused capital losses but may carry forward unused capital losses indefinitely.

Taxation of Partnership Interests - Other Taxes

The Partnership and its Partners may be subject to other taxes, such as the alternative minimum tax, state and local income taxes, and estate, inheritance or intangible property taxes that may be imposed by various jurisdictions. (See "*State and Local Taxation*" below.) Each prospective investor should consider the potential consequences of such taxes on an investment in the Partnership. It is the responsibility of each prospective investor (i) to become satisfied as to, among other things, the legal and tax consequences of an investment in the Partnership under state law, including the laws of the state(s) of his domicile and residence, by obtaining advice from one's own tax advisors, and (ii) to file all appropriate tax returns that may be required.

Tax Elections; Returns; Tax Audits

The Code provides for optional adjustments to the basis of partnership property upon distributions of partnership property to a partner and transfers of partnership interests (including by reason of death) provided that a partnership election has been made pursuant to Section 754. In certain circumstances, the Code requires basis adjustments even without a Section 754 election. Under the Limited Partnership Agreement, the General Partner, in its sole discretion, may cause the Partnership to make a Section 754 election or to make other tax elections including a mark-to-market election under Section 475. Any such election, once made, generally cannot be revoked without the Service's consent. Because of accounting and tax complexities in implementing a Section 754 election, it is not intended that a Section 754 election will be made.

The General Partner will decide how to report partnership items on the Partnership's tax returns, and all Partners are required to treat the items consistently on their own returns. Since the Partnership may engage in transactions whose treatment for tax purposes is not clear, there is a risk that a claim of tax liability could be asserted against the Partnership or its Partners. In the event the income tax returns of the Partnership are audited by the Service, the tax treatment of Partnership income and deductions generally is determined at the partnership level in a single proceeding rather than by individual audits of the Partners. The General Partner, as the "Tax Matters Partner," has considerable authority to make decisions affecting the tax treatment and procedural rights of all Partners. In addition, the Tax Matters Partner has the authority to bind certain Partners to settlement agreements and the right on behalf of all Partners to extend the statute of limitations relating to the Partners' tax liabilities with respect to Partnership items. Any adjustments resulting from an audit of the Partnership may require each Limited Partner to file an amended tax return and pay additional income taxes, interest and penalties and might result in an audit of the Limited Partner's own returns.

Taxation of Partnership Interests - Other Matters

A Limited Partner may, with the consent of the General Partner, contribute securities to the capital of the Partnership. However, a Limited Partner's contribution of appreciated securities may be taxable under Section 721(b) of the Code.

Foreign Taxes

The Partnership may invest in foreign securities. It is possible that certain dividends, interest or other income received by the Partnership from sources within foreign countries will be

subject to withholding or other taxes imposed by such countries. In addition, the Partnership may also be subject to foreign taxes on gains on foreign securities in some of the foreign countries where it purchases and sells securities. Tax treaties between certain countries and the United States may reduce or eliminate such taxes. The Partnership may structure investments in foreign securities through other entities in order to reduce foreign taxes. It is impossible to predict the rate of foreign tax the Partnership will pay in advance since the amount of the Partnership's assets to be invested in various countries is not known.

The Partners will be informed by the Partnership as to their proportionate share of the foreign taxes paid by the Partnership. The Partners generally will be entitled to claim either a credit (subject to limitations) or, if they itemize their deductions, a deduction for their share of such foreign taxes in computing their federal income taxes.

State and Local Taxation

In addition to the federal income tax consequences described above, prospective investors should consider potential state and local tax consequences of an investment in the Partnership. No attempt is made herein to provide an in-depth discussion of such state or local tax consequences. State and local laws may often differ from federal income tax laws with respect to the treatment of specific items of income, gain, loss, deduction and credit. A Partner's distributive share of the taxable income or loss of the Partnership generally will be required to be included in determining his income for state and local tax purposes in the jurisdiction(s) in which he is a resident.

The Partnership should not be subject to the New York City unincorporated business tax ("**UBT**") because UBT is not imposed on a partnership which solely buys and sells securities for its own account, unless its activities cause it to be characterized as a "dealer" in securities. A Partner who is an individual that is not a resident of New York State is not subject to New York State tax solely as a result of being a partner in a partnership that buys and sells securities for its own account. New York City does not tax individuals who are not residents of New York City. A Partner which is a non-New York corporation may not be subject to New York State or New York City tax solely as a result of being a Partner in the Partnership because of an exception for limited partners in portfolio investment partnerships, which is determined on a year by year basis.

Each prospective Limited Partner must consult his own tax advisors regarding such state and local tax consequences.

Future Tax Legislation, Necessity of Obtaining Professional Advice

Future amendments to the Code, other legislation, new or amended Treasury Regulations, administrative rulings or decisions by the Service, or judicial decisions may adversely affect the federal income tax or other tax aspects of an investment in the Partnership, with or without advance notice, retroactively or prospectively. The foregoing analysis is not intended as a substitute for careful tax planning. The tax matters relating to the Partnership are complex and are subject to varying interpretations. Moreover, the effect of existing income tax laws and of proposed changes in income tax laws on Partners will vary with the particular circumstances of

each investor and, in reviewing this Memorandum and any exhibits hereto, these matters should be considered.

Accordingly, each prospective Limited Partner must consult with and rely solely upon his own professional tax advisors with respect to the tax results to him of an investment in the Partnership based on his particular facts and circumstances. In no event will the General Partner, the Investment Manager or their principals, affiliates, members, officers, counsel or other professional advisors be liable to any Limited Partner for any federal, state, local or foreign tax consequences of an investment in the Partnership, whether or not such consequences are as described above.

EMPLOYEE BENEFIT PLANS SUBJECT TO ERISA

General

Each prospective Limited Partner which is an employee benefit plan or trust (an "**ERISA Plan**") within the meaning of, and subject to, the provisions of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), an Individual Retirement Account ("**IRA**") or a Keogh Plan, should consider the matters described below in determining whether to invest in the Partnership.

Plan fiduciaries should give appropriate consideration to, among other things, the role that an investment in the Partnership plays in the plan's portfolio, taking into consideration whether the investment is designed reasonably to further the plan's purposes, an examination of the risk and return factors, the portfolio's composition with regard to diversification, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the plan, the projected return of the total portfolio relative to the plan's objectives and the limited right of Limited Partners to redeem all or any part of their Interests or to transfer their Interests in the Partnership.

In particular, plans should consider the applicability to them of the provisions related to "unrelated business taxable income." (See "*Tax Aspects*" above.)

Whether or not the underlying assets of the Partnership are deemed plan assets under applicable regulations, as discussed below, an investment in the Partnership by an ERISA Plan is subject to ERISA and an investment by an IRA, a Keogh Plan and certain other plans is generally subject to Section 4975 of the Code. The provisions of ERISA are subject to extensive and continuing administrative and judicial interpretation and review. The discussion of ERISA contained in this Confidential Private Offering Memorandum is, of necessity, general and may be affected by future cases, regulations and rulings. Fiduciaries of plans should consult with their own counsel as to the consequences under ERISA and the Code of an investment in the Partnership.

Limitation on Investments by Benefit Plan Investors

The Partnership currently intends to monitor the investors in the Partnership to determine whether the aggregate investment by benefit plan investors (i.e., employee benefit plans as defined in Section 3(3) of ERISA which are subject to Title 1 of ERISA, such as U.S. corporate

pension plans, plans described in Section 4975(e)(1) of the Code such as IRAs and Keogh plans, and entities the underlying assets of which include plan assets but only to the extent thereof) in any class of equity in the Partnership equals or exceeds twenty-five percent (25%) with certain adjustments (the "**25% ERISA Test**"). If the aggregate investment by benefit plan investors is less than 25% in each class of equity interests in the Partnership, equity participation by benefit plan investors will not be considered "significant" under applicable Department of Labor regulations, and, as a result, the underlying assets of the Partnership will not be deemed plan assets. However, the Partnership, is not required to comply with, or monitor compliance with, the 25% ERISA Test.

Representations by Plans

The fiduciaries of each ERISA Plan proposing to invest in the Partnership will be required to represent that they have been informed of and understand the Partnership's trading objectives, policies and strategies, that the ERISA Plan is permitted to invest plan assets in the Partnership under the applicable documents and that the investment is consistent with the provisions of ERISA that require diversification of Plan assets and impose other fiduciary responsibilities.

ERISA Plans Having Prior Relationships with Affiliates of the General Partner

Certain prospective ERISA Plan investors may currently maintain relationships with the General Partner or entities which are affiliated with the General Partner. Each of such entities may be deemed to be a party in interest to and/or a fiduciary of any ERISA Plan to which it provides investment management, investment advisory or other services. ERISA prohibits plan assets from being used for the benefit of a party in interest and also prohibits a plan fiduciary from using its position to cause the plan to make an investment from which it or certain third parties in which such fiduciary has an interest would receive a fee or other consideration. In these circumstances, ERISA Plan investors should consult with counsel to determine if the investment in the Partnership is a transaction which is prohibited by ERISA or the Internal Revenue Code.

ADDITIONAL INFORMATION

The General Partner will make available to any prospective Limited Partner such relevant information as it may possess, or as it can acquire without unreasonable effort or expense, to verify or supplement the information set forth herein.

SUBSCRIPTION FOR AN INTEREST

Persons interested in becoming Limited Partners will be furnished with, and will be required to complete and return to the Administrator, a Subscription Agreement and certain other documents. There will be no sales charges to investors in connection with the offering of Interests.